

FINANCIAL TIMES



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A time for compromise

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Environment, Page 6



Under attack
Austria's jobs for the boys

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World Business Newspaper

WEDNESDAY JANUARY 3 1996

Bosnia abductions pose first test for Nato peace force

The Bosnian government yesterday accused Serbian forces of abducting 15 civilians, giving the Nato-led force its first real challenge in enforcing the ambitious peace accord. The people were detained over the past week while driving through Ildiza, a Serb-held suburb of Sarajevo, using a route newly opened under the Dayton agreement, according to a statement from the Muslim-led government. Nato officials said they could not confirm reports of the kidnappings and suggested that it was a police matter. Page 10

Forté document promises £200m buyback

Forté, the UK's largest hotels group, has promised shareholders a share buyback worth £200m (£1.2bn) if the hostile £3.3bn bid from Granada fails. The main defence document, published yesterday, also commits the group to increasing its dividend by 20 per cent for the next three years. Chairman Sir Rocco

Forté (left) said the document was the equivalent of a prospectus for a new hotel company. Shares in Forté rose 12 1/4p to close at 343p, while Granada shares fell 3p to 642p. Lex, Page 10; Page 11

Turkey's coalition talks stall Bülent Ecevit, the leader of Turkey's largest leftwing party, has rejected Tansu Çiller's fitness to lead a new coalition government. Ecevit's moderate Democratic Left party holds the balance of power in coalition talks between Çiller and her bitter rival, Mesut Yılmaz. Page 2; Identity crisis, Page 8; Lex, Page 10

Incentive bids \$1.5bn for Gambro Incentive, one of the Wallenberg empire's main industrial companies, launched a \$1.5bn (£1.5bn) bid to take full control of Gambro, a Swedish medical technology group it first bought into in 1994. Page 11; Lex, Page 10

Renault chief faces investigation Louis Schweitzer, chairman of Renault, has been placed under formal investigation in connection with a political wire-tapping scandal that dates back to the mid-1980s, the state-owned motor group said. Page 2

Britain to press China on HK bandover Britain's foreign secretary, Malcolm Rifkin, will press Chinese leaders to draw back from plans to dissolve Hong Kong's elected parliament and water down its human rights law, when he travels to Beijing next week. Page 4

Pressure on US prices slackens The US economy is likely to grow sluggishly, with a little upward pressure on inflation, a national survey of executives has indicated. Page 4

China issues new B-share rules China has issued its first rules on the listing and trading of hard currency B-shares in an attempt to consolidate and unify the national market. Page 10

Slow start for open market in repo Banks and other businesses already active in UK government bond dealing yesterday dominated the first day of trading in the open market in gilt repos. Page 11; Lex, Page 10

The London Stock Exchange has issued new guidelines for industry regulators on the control of information which could affect the share prices of companies under their supervision. Page 5

UK rate out expectations dampened Hints of stronger economic activity, coupled with growing market concern about the possibility of an early UK general election, dampened expectations of an imminent cut in interest rates. Page 5

BTR disposes of Malaysian joint venture BTR, the UK industrial conglomerate, is withdrawing from the Malaysian petrochemicals industry. Page 13

Appeal over missing backpacker UK police trying to trace Briton Jo Masheder, missing in Thailand for nearly a month, stepped up their appeal for help from backpackers who recently travelled there. The 32-year-old solicitor was expected home at Christmas.

Russian volcano erupts after earthquake A volcano erupted in Russia's far eastern peninsula of Kamchatka after a powerful earthquake measuring 7.2 on the Richter scale. There were no immediate reports of casualties or damage.

Crickets South Africa are 44 for two at the close of the first day of the final test in Cape Town after bundling England out for 153. The first four matches in the five-test series were drawn.

STOCK MARKET INDICES

New York	Dow Jones Ind	5,152.06	(-37.52)
	NASDAQ Composite	1,051.09	(-1.04)
Europe and Far East	FTSE 100	2,284.86	(-30.98)
	DAX	2,567.9	(-1.4)
	Nikkei	10,000	(-100)

US LUNCHTIME RATES

Federal Funds	5.12%
3-mth Treas Bill	5.07%
Long Bond	112 1/2
Yield	5.97%

OTHER RATES

UK 3-mth Interbank	5 1/4%	(fixed)
UK 10 yr Gil	107 1/2	(107 1/2)
France 10 yr DAT	108.00	(107.50)
Germany 10 yr Bund	103.77	(103.50)
Japan 10 yr JGB	111.80	(111.81)

NORTH SEA OIL (Average)

Brent 15-day Feb	\$16.45	(18.30)
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FINANCIAL TIMES LIMITED 1996 No 32,872 Week No 1

Amble	S&P7	Green	D400	Mails	London	Osaka	CFD100
Bahrain	Dat120	Hong Kong	M330	Marocco	MC216	S.Africa	SFR22
Belgium	BR75	Hungary	P230	Neth	FI 473	Singapore	S\$4.30
Bulgaria	Lv2000	Ireland	M220	Nigeria	N6900	Slovak Rep	SK25
Cambodia	CF120	India	R675	Peru	M2000	S. Africa	R12.00
Canada	W50	Japan	Sh150	Qatar	CF150	Spain	P4000
China	DN15	Italy	L300	Pakistan	P400	Sweden	SK400
Egypt	EG100	Japan	Y500	Philippines	P4000	Switz	CHF1.70
Ethiopia	BY 22	Jordan	JH 30	Poland	P2350	Syria	SY350.00
Finland	FIN150	Russia	RU250	Portugal	PT400	Turkey	TL7.00
France	FR150	Latvia	LV3.50	UAE	UAE	Dh12.00	
Germany	DM400	Lux	LV75				

AT&T to cut 40,000 jobs in demerger

By Tony Jackson in New York

US telecoms giant faces \$6bn bill for sweeping reorganisation

AT&T, the US telephone giant which is in the process of demerging, is to shed 40,000 workers as part of a sweeping reorganisation which will cost \$6bn before tax. The company said it would take a charge of \$4bn net against earnings in fourth quarter of 1995.

AT&T said the job losses, the vast majority of which will be in the US, would include 30,000 involuntary redundancies. A voluntary redundancy package offered to 72,000 workers had been accepted by 6,500 by the closing date last Friday. AT&T said last September it

would split itself into a phone service company and an equipment manufacturer, and spin off its computer business, the former NCR. However, the job losses and financial charge are higher than expected.

Mr Rick Miller, chief financial officer, said the actions went a long way beyond splitting up the company. "We are taking the opportunity to revisit our strategies and review our portfolios of businesses", he said. Of the \$6bn total, \$3.8bn represents costs associated with the

demerger. The rest is due to sale, closure or write-down of other businesses. The figures do not include a net charge of \$1.2bn for cutting 6,500 jobs in the computer business, taken in the third quarter.

AT&T has already announced it will sell AT&T Capital and its Paradyne equipment subsidiary. Mr Miller said "other portfolio actions" were being contemplated. Charges for disposals and associated write-downs would be \$1.5bn before tax, he said. Further charges of \$500m

would result from writing down some activities, such as AT&T's on-line software, which will be abandoned as AT&T moves to an Internet standard, and obsolete hardware such as microwave towers.

Redundancies, which will cost \$2.5bn in total, will come both from existing central office functions and from the two new companies. Job losses in central functions will total around 10,000. The phone services business will reduce sales, marketing and back office staff, and cut the

number of its telephone operators. The equipment subsidiary will centralise its management and close some manufacturing plants and international sales offices.

The total of 40,000 job losses included the 6,500 voluntary redundancies and some 4,000 employees who will leave on the sale of subsidiaries. AT&T said the effort would be to cut employment at the new phone services company by 17,000, or 13 per cent, to 110,000. The equipment company would

lose 20,000 workers, or 18 per cent. At the start of this month AT&T had 360,000 employees, compared to a peak of 817,000 four years ago. Including the job losses at the computer business, its total employment will shrink by around 15 per cent.

AT&T's shares rose \$3 to \$97 1/2 in early trading. The demerger, the most radical change to AT&T since its break-up by the US government in 1984, is prompted largely by impending deregulation of US telecoms, allowing local and long distance companies to compete with each other.

World stocks, Page 26



Austrian minister's resignation boosts hopes for coalition

By Eric Frey in Vienna

The Austrian finance minister, Mr Andreas Staribacher, resigned yesterday in a move expected to speed up the renewal of the coalition between the Social Democrats and the conservative People's party.

Mr Staribacher, a 38-year-old tax consultant, will be succeeded by Mr Viktor Klima, the transport minister, another Social Democrat. Mr Klima, 48, a former board member of the oil and gas group OMV, has a reputation as a good negotiator and deal-maker.

Mr Staribacher had been the favourite whipping boy of the People's party since he became finance minister last April. Party members accused him of incompetence and dishonesty over the size of the budget deficit.

A row over his budget proposals, which relied heavily on new taxes and one-off gains from asset sales to trim the deficit, led the junior partner to walk out of the government and forced new elections last month.

But the Social Democrats posted the biggest gains at the polls, winning six more seats for a total of 71 in the 183-seat parliament.

The People's party gained just one seat to bring its total to 53. Mr Jörg Haider's far-right Freedom party lost two and now has 40 seats.

In the wake of his electoral victory, Chancellor Franz Vranitzky announced that he would keep Mr Staribacher in his cabinet, in spite of the opposition of the conservatives.

The sudden resignation is seen as a concession to the People's party. Its leaders have threatened to go into opposition if the Social Democrats do not accept some of

Clinton in new bid to end budget impasse

By Jurek Martin in Washington

Mr Bill Clinton, US president, and congressional leaders of both parties were last night making their first attempts of the new year to resolve the budget impasse that has caused a 19-day partial shutdown of the federal government, the longest on record.

But there was little evidence that the principals have done more than skirt round the edges of their policy differences over issues such as the future of federal health insurance programmes and the size of the tax cut the Republicans insist can be included in a seven-year plan to balance the budget.

Several participants described protracted weekend sessions in the White House as friendly but little more than a policy seminar, with hard bargaining conspicuously absent. Some of the sharper exchanges were reportedly not between Mr Clinton and Senator Bob Dole, majority leader, and Mr Newt Gingrich, House Speaker, but between moderate Republicans anxious to compromise and conservatives disinclined to cut deals.

The return of Congress today after the holiday recess adds point to the negotiations but may not necessarily further a solution, given the gap between conservative Republicans in the House and the more moderate Senate. One weekend Republican proposal to put the government back to work, with the promise that the 200,000 laid-off federal employees would eventually be paid, predictably foundered in the Senate, where the Democratic leadership refused to

continue on Page 10

Residents of the town of Ashington, north-east England, line up to collect water from tanks. They are among an estimated 250,000 people in the region who have had their water supply cut off because of burst water mains. Water companies said the pipes fractured as they thawed following a short period of severe sub-zero temperatures. One supplier, North East Water, estimated it was losing \$2m three of water a day in the Newcastle area. Page 5

Employers urge reform of German pay structure

By Michael Lindenmann in Bonn

Mr Klaus Murrmann, the leader of Germany's influential BDA employers' federation, yesterday reopened the heated debate about the way wages are negotiated, demanding that pay packets be determined less by sectoral negotiations and more by corporate profits and individual performance.

Proposing what he called a "three-pillar" system, Mr Murrmann said workers should be paid a basic sectoral minimum wage and this should be topped up with two extra elements. One would reflect the profits earned by the specific company and another the worker's own performance.

"Harder-working people should get more money and leader ones should get less," Mr Murrmann said in an interview with the DPA news agency, apparently designed as the opening shot in this year's wage round, which is slowly gathering speed and normally ends with a number of sectoral wage agreements in March.

Mr Murrmann's comments come less than two months after the unions scored an unexpected public relations triumph with their so-called "alliance for jobs", whereby they would agree to wage rises in line with the inflation rate this year on condition that employers create 300,000 new jobs over three years.

The unions yesterday rejected Mr Murrmann's proposal outright, describing it as "reactionary". The DGB union federation said the three-pillar model amounted to a "reintroduction of managerial arbitrariness". Among criticisms of Mr Murrmann's proposal, the unions said there was no mechanism to evaluate the performance of an individual worker.

However, the BDA said the evaluation would be based on the existing dialogue between management and works councils which are used extensively to decide bonuses.

Mr Murrmann's proposal comes as employers and unions prepare to meet Chancellor Helmut Kohl on January 23 for a seventh round of talks designed to find new methods of creating jobs. Meanwhile, the number of people out of work is edging upwards from 8.1 per cent of the workforce in November towards 8m.

The debate about how wages are structured in Germany was simmering throughout the recent recession but it is likely to become fiercer again this year as the economy slows down unexpectedly fast. In October, leading economic institutes forecast 2.5 per cent growth in 1996, but weeks ago several warned that the economy would expand by just 1.75 per cent.

Difficult balancing act, Page 8

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صكدا عن الاصل

NEWS: EUROPE

Capitalist tale of two cities in Russia

By John Thornhill in St Petersburg

Ever since Tsar Peter the Great founded St Petersburg in 1703, the elegant northern city has competed fiercely for wealth and status with its earthen cousin, Moscow.

The competition was largely suppressed during the Soviet era but is re-emerging as Russia rebuilds its market economy and the country's biggest cities encourage the growth of two very different forms of capitalism.

St Petersburg, founded as Russia's "window on the west", prides itself on its liberal values and openness in Moscow, which regained its status as the capital in 1918, has always championed a more introspective nationalist path.

Mr Anatoly Sobchak, St Petersburg's urbane mayor and hero of Russia's democratic movement for helping to face down the hardline communist coup in August 1991, has demonstrated St Petersburg's determination to raise its profile in international capital markets by issuing \$500m (\$234.6m) of municipal bonds in 1996, some of which will be targeted at foreign investors.

Before the 1917 revolution, St Petersburg raised finance in London and Paris to invest in urban infrastructure, transport, and housing. Mr Sobchak is keen to revive the tradition.

The mayor's message to St Petersburg's 5m residents is that the economy is recovering fast. Mr Sobchak notes that 70 per cent of the local workforce now works in the private sector and there are 200 banks in the city.

"Views in the west about Russia are inaccurate. The impression is far gloomier than the reality," he said.

"The collapse of production here is a positive process, a sign of the improving health of the economy. Any economy in which 75 per cent of production is devoted to the military-industrial complex is abnormal," he said.

Mr Sobchak concedes that early attempts to attract foreign investment proved disappointing. But he believes in patience and sees his role as being an ambassador for the city and encouraging a more transparent investment climate. "We do not seek to maintain control over the companies and control mechanisms but want to encourage greater competition between banks and enterprises," Mr Sobchak said.

This liberal approach is in striking contrast to the interventionism favoured by Mr Yuri Luzhkov, the populist mayor of Moscow. While Mr Sobchak appears in his element hosting St Petersburg's glittering cultural events, Mr Luzhkov prefers to be seen investigating Moscow's sewerage system or supervising work on the capital's many building sites.

Mr Luzhkov's administration privatised companies far more selectively than in St Petersburg and has invested directly in dozens of projects and enterprises.

Even proud St Petersburgers admit that Mr Luzhkov's hands-on approach has so far been more effective in promoting capitalism, attracting as much as 80 per cent of the country's financial activities to Moscow.

But companies competing with Moscow's privileged companies allege that Mr Luzhkov's system has left scope for corruption.

Although Moscow may have taken the early economic lead, Mr Sobchak is still hopeful that St Petersburg can recover lost ground.

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Schweitzer: probe over wire-tapping dating from mid-1980s

EUROPEAN NEWS DIGEST

French strikes hit car sales

December's strikes in the French public sector, particularly by transport workers, heavily dented car sales for the month, carmakers said yesterday. The CFA trade body said the car sector was hit by the reluctance of consumers to spend in a period of uncertainty. The 18.4 per cent fall in December car sales was significant as, up to then, the French market had declined by no more than 0.5 per cent in the first 11 months.

Meanwhile, underground train services resumed under police escort in the French Mediterranean city of Marseilles yesterday, although some drivers continued to strike.

The Marseilles transport strike over pay and working conditions is the last stoppage lingering after the crippling action against government austerity plans wound down a week before Christmas. A few private buses chartered by the city ran a skeleton service as bus drivers also remained on strike. Policemen protected train drivers who reported for duty from any attempt by the strikers to disrupt traffic, but no incidents were reported.

Rail unions in the eastern city of Strasbourg have warned they could go on strike again if they could not agree with management on wages lost during the December strike being spread out over a longer period. *Reuters, Paris*

German chemical sector caution

German chemical manufacturers said profits rose in 1995, but earnings growth may slow in 1996. "Pre-tax profit increased sharply in 1995," said Bayer in a survey on companies' expectations published by the daily *Börsen Zeitung*.

Bayer said its pre-tax profits rose by 39 per cent in the first nine months of the year, and it expects a "figure in excess of DM4bn (\$2.7bn) for the whole year." However, "our forecast for 1996 is more muted", it added.

BASF said: "Earnings have increased significantly over 1994 levels" because of the worldwide economic upswing, strict cost management, increased internationalisation and the expansion of less cyclically sensitive business. Hoechst said its earnings at operating level rose "significantly" in 1995, largely thanks to higher capacity utilisation and increased sales volumes in the first half of the year.

Hoechst said: "Since the middle of the year, however, prices of chemicals and plastics in particular have eased. Even the effect of lower raw materials prices could not offset that. For 1996, we expect business to remain steady at current levels," it added, however. "The strongest impulses will come from non-European markets." *AFX, Frankfurt*

Robert Mauthner fellowship

Ms Marian Hens, a Spanish journalist with wide European experience, has been chosen as the first Robert Mauthner Fellow on the Reuter Foundation programme at Oxford. The fellowship, supported by the Financial Times, commemorates Robert Mauthner, the late diplomatic editor of the FT and for many years Paris correspondent, who previously worked for Reuters.

It will be awarded annually to established journalists from European Union countries for reporting on European affairs. Ms Hens was educated at the University of Granada and at the City University in London. As a journalist she has worked for the Guardian in London, for El Mundo in Madrid, and for Channel Four's "Europe Express". She was chosen from a large field of candidates, and at Oxford will study immigration into the European Union. *Foreign Staff, London*

Renault chief faces investigation

By John Hidding in Paris

Mr Louis Schweitzer, chairman of Renault, has been placed under formal investigation in connection with a political wire-tapping scandal that dates back to the mid-1980s, the state-owned motor group said yesterday.

Company officials played down the implications of the move, a legal step which can lead to charges.

They said the investigation related to Mr Schweitzer's previous position as chief aide to Mr Laurent Fabius, the former Socialist prime minister.

Investors brushed aside the news, pushing shares in the investigation up FFR1 to FFR147.1 (\$30). Industry observers noted,

however, that the investigation comes at a sensitive time for Renault. The carmaker has been named by France's conservative government as a candidate for full privatisation this year, following the sale of a minority stake by the previous administration in 1994.

his position at the head of the company. Like the wire-tapping probe, that case related to his post in the previous Socialist administration.

The probe concerns allegations that the anti-terrorist unit at the Elysee Palace, then occupied by Socialist President

have been placed under investigation in the case.

"It is an illustration of the close links between government and industry and the risks that are sometimes involved," said one industry analyst, referring to the appointment of political allies to senior positions in state businesses.

The probe into Mr Schweitzer, which was opened in November, is also part of a broader series of investigations into business leaders.

Mr André Lévy-Lang, chairman of Paribas, was placed under investigation last week in a case involving alleged accounting irregularities relating to the sale by the financial group of Ciments Français, the cement producer.

Mr Martin Bouygues, head of Bouygues, the construction giant, was last month placed under investigation in a case concerning alleged influence peddling. Several other business leaders are the subject of investigation in cases ranging from illicit political funding to abuse of company funds.

The investigations, which often date back many years, have so far yielded few victims.

One exception is Mr Pierre Suard, who was forced to step down as chairman of Alcatel. Although last year after he was placed under investigation in cases relating to abuse of corporate funds and allegations that the telecoms, transport and engineering concern overbilled France Télécom, one of its biggest clients.

The probe concerns allegations that the telephones of politicians, lawyers and journalists were illegally bugged

But they added that a previous legal probe concerning Mr Schweitzer, in which the Renault chief was placed under investigation last year in a scandal involving contaminated blood, had not affected

Francois Mitterrand, illegally bugged telephones of politicians, lawyers and journalists. Other prominent figures, including Mr Gilles Ménage, former head of Electricité de France, the state-owned utility,

Meanwhile, an Italian success story

Something of an economic miracle is occurring in the north east, writes Robert Graham

Veneto: a miracle in the north-east



At a time when good news is in short supply in Italy, success stories tend to be transformed into miracles.

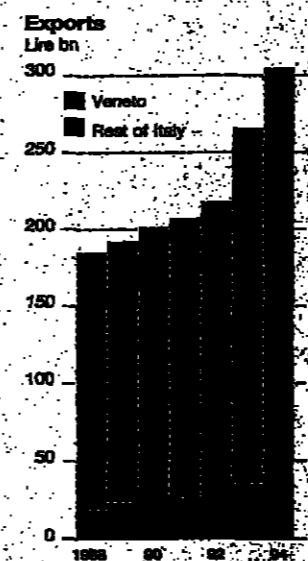
The latest to be discovered - dubbed "the miracle of the north east" - is nevertheless a remarkable tale of economic success. North-eastern Italy, with its core the Veneto region, is growing faster than any other part of the country - close to 4 per cent compared with 3 per cent for the country as a whole - on the back of an extraordinary explosion in export-led entrepreneurial activity.

With an economy based on agriculture, agro-industry, artisan work and few large companies, the Veneto has traditionally lagged behind other areas of the industrial north. Emigration abroad only ended in the 1970s and incomes began to catch up with those in neighbouring Lombardy and Piedmont from the mid-1980s. The catching up process has accelerated in the past two years although Veneto per capita incomes are still about 7 per cent lower.

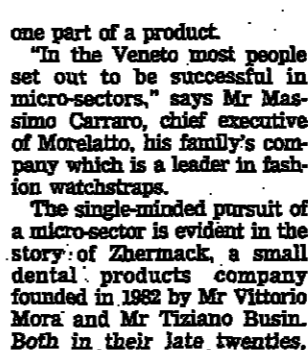
"I don't believe talk of a miracle but here people are working flat out, entrepreneurs are innovative and the fruits are beginning to show," says Mr Mario Carraro, head of the Veneto industrialists association and chairman of its family group that is a leading producer of tractor components. Carraro says, almost 90 per cent exports, last year jumped 33 per cent, a not uncommon phenomenon in the region.

Thanks to a strong export vocation, the Veneto pulled out of the 1992-93 recession quicker and earlier than other regions. During the past five years its share of national exports has increased almost 10 percentage points to 14 per cent. The Veneto now exports almost twice as much as the whole of southern Italy.

In the first nine months of last year 30,885 new companies



Exports (Lm bn)



Industrial production Annual % change

ket. Sit La Preciosa, a prominent medium-sized group founded in the 1950s to make valves for gas heating appliances, is only now contemplating diversification branching into the production of the electronics for the appliances.

The presence in most cases of the family as owner/entrepreneur is important. The businesses are handed on to children and usually two generations can be found working together.

Profits are re-invested more easily with family control and the main luxury, permitted is an expensive car.

But the emphasis on family control means many businessmen shy away from banks, generally mistrust the idea of going public and prefer to stay small and relatively inconspicuous.

The other strength of the Veneto is the way entrepreneurs have latched on to artisan traditions. Rosmondia has become one of the leading producers of women's shoes for international fashion houses. It is based in the area of the Brenta River (feeding into the Venice lagoon) where 10,000 people are working in 750 companies related to the design and production of women's shoes.

Similarly Bisazza, also founded in the 1950s on the back of the region's glass-making tradition, has become one of the world's most important specialists in glass mosaic tiling/flooring. Its business near Vicenza has close ties with a regional institute for mosaics.

The final ingredient in the Veneto boom has been its proximity to northern markets and the expanding opportunities in eastern Europe. Transport costs are low for the main European markets and cheap labour can be tapped across the border.

Venice itself - once the wealthiest city state in Italy - has been bypassed by the boom. It bears the scars of the development of a now ailing petrochemical industry round the lagoon. But the fabled city plans a science park to feed the region. If Venice were to derive benefit, this would indeed be miraculous.

One of the distinguishing aspects of the region's groups is that they have all begun with small, highly specialised niches and often only produce one part of a product

capital 18 years ago, using his experience with a domestic appliance company to set up on his own. Askoll is now a world leader in aquariums, making 65,000 a year with a 1,700m turnover and a joint venture in China plus sub-contracting arrangements in Malaysia.

Askoll's arcane line of production highlights one of the key distinguishing aspects of the emergent Veneto groups. They have all begun by attacking small, highly specialised niches and often only produce

one part of a product.

"In the Veneto most people set out to be successful in micro-sectors," says Mr Massimo Carraro, chief executive of Morelato, his family's company which is a leader in fashion watchcases.

The single-minded pursuit of a micro-sector is evident in the story of Zhermack, a small dental products company founded in 1982 by Mr Vittorio Mora and Mr Tiziano Busin. Both in their late twenties,

strong technical backgrounds aware of the need for a big investment in research and development. They believe the lack of big industry, against a background of a conservative Roman Catholic society, has been to their advantage. The trade unions are co-operative and usually weak, allowing flexibility in work practices. Expansion has always been matched with substantial increases in productivity.

Wages, meanwhile, have

Çiller leadership fight stalls Turkey's coalition talks

By John Barnham in Ankara

The leader of Turkey's largest leftwing party yesterday strongly rejected Mrs Tansu Çiller's fitness to lead a new coalition government following the indecisive outcome of December's general elections.

In a newspaper interview yesterday, Mr Bilent Ecevit criticised Mrs Çiller's purchase of property overseas. He said

she "does not have the right" to run the country and compared her with Mrs Imelda Marcos, the former first lady of the Philippines.

Mr Ecevit's moderate Democratic Left party (DSP) took 75 seats in the 550-member parliament and holds the balance of power in coalition talks between Mrs Çiller's conservative True Path party and her bitter rival, Mr Mesut Yilmaz,

leader of the conservative Motherland party.

Both won almost the same number of seats, but personal animosity is obstructing coalition talks to exclude from power the Islamist Refah party, which aims to transform traditionally secular Turkey into an Islamic state.

Refah is now the largest party in parliament with 158 seats.

Mr Ecevit said he would support a True Path-Motherland coalition, but "the problem is that Çiller insists on being prime minister".

Mrs Çiller claims the right to continue as prime minister because her party took three more seats than the Motherland party.

Mr Ecevit hinted he could break the deadlock by taking over as prime minister himself, saying a "third [candidate] for prime minister could be found".

Although negotiations between party leaders are stalled, MPs and party officials are talking behind closed doors. Informal contacts between Mr Yilmaz and Mrs Çiller. However, Mr Ecevit warned that "an unsuccessful government may increase Refah's chances [at early elections]. If coalition talks are stuck, then early elections may come."

However, commentators say that he should observe constitutional precedent by offering them a mandate.

Some also believe Refah should be encouraged to participate in government and shoulder some of the responsibility for reforming Turkey's unstable economy rather than remaining in opposition. *Identity crisis, Page 8; Lex, Page 10*

Vienna's reds and blacks face pressure to be whiter

By Ian Rodger in Vienna

How to cut the budget deficit will be at the top of the agenda when leaders of Austria's Social Democratic party and conservative People's party meet this week to negotiate a new coalition in the wake of last month's general election.

But the two old parties also have to tackle another long festering problem - political patronage - if their new government is to have any chance of retaining public confidence.

Austria probably has a more widespread system of political patronage than any other country in western Europe, with all senior jobs in government-influenced sectors systematically shared between supporters of the two ruling parties, generally known as the reds (Social Democrats) and the blacks (People's party members). In some cases, this sharing,

known as Proporz, goes to absurd lengths. State-controlled Austrian Airlines has two presidents, as does Flughafen Wien, the quoted company that runs Vienna airport.

Proporz extends far beyond the executive suite. Austria has black and red trade unions, black and red motor clubs, black and red health clubs and even black and red huts in the Alps.

Some government departments are protected fiefdoms of one or the other party - the Social Democrats always run the Transport Ministry, with its substantial patronage potential in the railways and highways, and the People's party always presides over agriculture and defence.

Proporz was marginally defensible when the Social Democrats and the People's party together could count on the support of more than 80 per cent of the electorate. But in the past decade, as their

combined support has plunged to about two thirds, the system has come under increasing strain.

Indeed, the rapid rise of Mr Jörg Haider, the charismatic leader of the far-right Freedom party, is largely attributable to his gleeful exposure of the absurdities and corruption arising from the Proporz system. His calls to "clean out the muck" in government find responsive audiences, especially among young people who resent the idea that they must become black or red to advance their careers.

Austria has also irritated the European Commission by extending Proporz to its allocated Brussels jobs. When a post at the Commission becomes available for an Austrian, Vienna complies with the letter of EU policy by sending four or five potential candidates. But when the applications are analysed, it

becomes apparent that only one of them - alternately a red and a black - is qualified.

In fairness, the Proporz system is much less pervasive than it was 10 years ago. Privatisation of most of the state's large industrial holdings has removed government influence from job appointments in much of industry. And even those companies that remain under state control feel free to oppose state interference.

The sector where Proporz remains rampant is banking. Creditanstalt-Bankverein, the country's second largest, is by long tradition a black bank. But because it is state controlled, a sprinkling of reds has been parachuted into the supervisory and executive boards.

The former Länderbank, also state controlled, was traditionally red but had a sprinkling of blacks at the top level until it was taken over by a Viennese savings bank group in 1991 to



Haider: won support by attacking patronage

create Bank Austria. Bank Austria is controlled by a city of Vienna foundation and, since the Social Democrats have an absolute majority at city hall, they have felt free to purge the Bank Austria executive board of token blacks. These two leading banks

have also been proxies for a state as owners of industrial and commercial companies, and have in the past extended Proporz to them. However, this has met with growing resistance in the past decade, and both banks are now committed to shedding their industrial portfolios.

Proporz has also meant a fair sharing of the government's juicy privatisation and flotation mandates between the two leading financial institutions, regardless of performance. Small wonder that Austria's banks are among the most mediocre performers in western Europe.

Partly because of pressure from Mr Haider and other opposition politicians, both ruling parties committed themselves in the last election campaign to taking privileges away from party blacks. Perhaps this played some part in both the reds and blacks making gains in the elections while Mr

Haider, for the first time in a decade, saw his support fall back slightly.

But reform will be stoutly resisted by the thousands of party faithful who have played by the rules throughout their careers and expect to be taken care of by their leaders.

Indeed, Viennese businessmen say that the competition among loyal party members for secure positions is now becoming more fierce precisely because the scent of reform is in the air. Brussels officials were bemused by the farcical lobbying of both parties a few weeks ago on behalf of their candidates to be EU information officer in Vienna.

Mr Haider appears to be in considerable difficulty following the revelation of his sympathetic remarks last October to veterans of Hitler's Waffen SS. But his support could revive if the reds and the blacks do not follow up their commitment to attack Proporz.

صدا عن الاصل

Deficit fears remain after tight Saudi budget Oil prices firm on succession

By Roula Khalaf, Middle East Correspondent

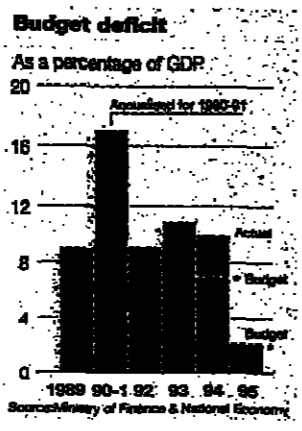
The 1996 Saudi budget was welcomed by bankers and diplomats in the kingdom yesterday as an indication that Crown Prince Abdullah, who was handed the reins of power by King Fahd on Monday, intends to keep a tight lid on government spending.

Some expressed surprise, however, that the budget forecast an increase in the fiscal deficit and that no further reductions in subsidies had been announced.

Detailed in royal decrees issued late on Monday, it maintains spending at 1995 levels of SR150bn (£26bn) but forecasts an SR15bn projected for 1996. It also projects a slight reduction in 1996 revenues to SR131.5bn, down from last year's forecast of SR135bn.

"It's encouraging to see the adjustment process is continuing and they are maintaining the strategy of holding down public sector expenditures and relying more on the private sector," Mr Henry Azzam, chief economist at Saudi Arabia's National Commercial Bank, said yesterday.

"One would have liked to see a smaller deficit but we cannot rule out that it will be smaller since it will depend on oil prices." The 1996 budget is believed to be based on the



same conservative assumption of a \$14 a barrel used in last year's budget.

One western banker in the kingdom said yesterday the business community had been expecting further increases in utility charges, especially reductions in water subsidies, and wondered whether the private sector will have the appetite to continue financing the budget deficit through purchases of government bonds.

"It would have been more prudent to press ahead with further reductions in subsidies," said the banker.

Pursuing the clean up of the kingdom's finances is one of the most daunting challenges facing Crown Prince Abdullah as he takes over management of government affairs while the ailing King recovers from a



The Aramco refinery at Ras Tanura, eastern Saudi Arabia

stroke suffered in November. Efforts to cut the budget deficit intensified last year as the government increased prices of water, electricity, postal and telephone charges and petroleum products.

Budget deficits spiralled out of control and foreign assets began to shrink. Since 1994, however, the government has been committed to reforms aimed at cutting government spending and preparing Saudis for a less pampered lifestyle, raising non-oil revenues and allowing a larger

role for the private sector. Efforts to cut the budget deficit intensified last year as the government increased prices of water, electricity, postal and telephone charges and petroleum products.

It has given no indication of the deficit for 1996; but the International Monetary Fund last September forecast a shortfall of 5 per cent of gross domestic product, above the Saudi government projection of only 2 per cent, but a big improvement over 17 per cent in 1990-1991.

Saudi Arabia's sixth development plan unveiled last year vowed to eliminate the deficit by 2000.

The improvement in the 1995 deficit, however, is largely thanks to the estimated 21 per cent increase in the average Saudi oil sale price during the year.

This boost in oil prices, not expected to rise this year, has fueled concern among economists that Saudi Arabia and other Gulf states will fall victim to false hopes of an end to their economic crisis and be

tempted to delay further reforms.

The IMF has warned that in the absence of further cuts in expenditure and increases in non-oil revenues, the deficit could rise again to 10 per cent of GDP in 2000.

The NCB's Mr Azzam said that, given likely inflation - the government has admitted to 5 per cent inflation in 1995 - and the fact that the government wants no growth in public sector pay, ending subsidies over a longer period than two years would cause less instability. The significance of the 1996 deficit will depend on its relation to GDP which itself depends on how oil markets perform this year. Monday's royal decrees said the economy grew at a nominal 4.3 per cent last year, up from 1.4 per cent in 1994, which suggests a static economy in real terms.

More significant, says Mr Abdullah Dabbagh, secretary general of the council of Saudi chambers of commerce and industry, is the growth in private sector GDP, which the government put at 7.5 per cent last year, up from 4 per cent in 1994.

Although some bankers said yesterday these figures should be treated with caution, Mr Dabbagh said the faster private sector growth was in line with government policy of expanding the non-oil areas and the role of the private sector.

Oil prices firm on succession

By Robert Corzine

Oil prices remained firm yesterday as traders and industry analysts assessed whether King Fahd's decision to hand over power to Crown Prince Abdullah would lead to any changes in the oil policy of the world's largest petroleum exporter.

The price of the benchmark Brent Blend for February delivery rose 15 cents to \$18.46 a barrel at the close of trading in London yesterday. But most analysts predicted the transfer of power would have little lasting impact on oil prices.

Speculation that Prince Abdullah might loosen ties with the US and support cuts in oil output in order to achieve higher prices was dismissed.

"The differences between the two have been exaggerated," said Mr Robert Mahro of the Oxford Institute for Energy Studies. "Prince Abdullah may have a different style, but there has been a constancy in Saudi policy since King Abdul Aziz (the father of the two men) in terms of oil and the relationship with the US."

Saudi Arabia, the dominant member of the Organisation of Petroleum Exporting Countries, produces 8m barrels of

oil a day, a level analysts say it needs to maintain in order to provide sufficient associated natural gas to the country's thriving petrochemicals industry.

It has kept output at that level over the past two years in spite of a surge in production by non-Opec countries, such as the UK and Norway, which have captured virtually all of the recent growth in world oil demand.

Fears last year that Saudi Arabia might start a price war to defend its market share never materialised.

Mr Joe Staniawski, head of the Paris office of Cambridge Energy Research Associates, said the kingdom would probably adhere to the present policy of "waiting for the world's oil market to grow" to a point where global demand outstrips new, non-Opec supplies.

In recent months, government officials in Riyadh have said they are content to maintain present output as long as prices stay in the \$16-\$20 a barrel range.

In 1995 the price of the Opec basket, an average of seven crude oils including Saudi Arabia's Arabian Light, was \$16.86 a barrel, well above the \$14 oil price target in the budget.

Reformer replaces Sedki

Ganzoury named Egypt's premier

By James Whittington in Cairo

The Egyptian cabinet headed by Mr Atef Sedki yesterday resigned and Mr Kamal el Ganzoury, deputy prime minister and minister of planning, was asked to form a government.

The surprise announcement, which came late in the day after an emergency cabinet meeting, marks the end of Mr Sedki's much-maligned 10-year premiership. Business leaders and representatives of Egypt's biggest donors welcomed the choice of the new prime minister who was described as a "born again reformist".

Although he has been closely involved in the country's economic planning since the early 1980s, Mr Ganzoury has recently been seen to take a stand against more conservative elements in the Egyptian government on the subject of economic reform.

As an economist, with a doctorate from Michigan University, he last year impressed the International Monetary Fund when he led Egypt's delegation to Washington for its annual consultations. He is also working with the World Bank in Cairo.

The change in cabinet comes one month after Egypt voted



Ganzoury: led IMF delegation

for a new parliament in violent and controversial elections. Before the election President Hosni Mubarak ruled out any change in his team saying it would hinder stability and investment. Since the last minor cabinet reshuffle in October 1993, there have been increasing calls for change in the cabinet whose members, like the former prime minister, have held their posts for the past decade or more.

The new prime minister is expected to announce his cabinet over the next few days although wholesale changes in key portfolios such as foreign affairs and information are not expected.

Dissidents fuel unrest in Fatah

By Mark Dennis in Nabulus

A rift between local activists and the central leadership of the Fatah faction of Mr Yasser Arafat, the Palestinian leader, is adding to criticism of Mr Arafat's rule in the run-up to the first Palestinian general elections on January 20.

A spokesman for five prominent Fatah activists who broke recently from Mr Arafat to form an independent list, complained yesterday of indirect intimidation from Mr Arafat's deputies.

"They threatened us and announced through the newspaper that those who are with Fatah should not run as independents," said Mr Husam Khader, a former member of the Palestinian National Council who said he was originally number seven on the Nabulus Fatah list before Mr Arafat had him removed.

Several activists from Mr Arafat's Fatah faction have been angered by his apparent manipulation of electoral lists, in which candidates elected by local committees to the Fatah lists have been replaced by ones appointed by Mr Arafat. Fatah-endorsed candidates are generally considered to have the best chance of winning a seat in the 88 member council. "We are not happy (with the changed lists)," said Mr Marwan Barghouti, the head of Fatah in Ramallah. "We will have problems with the central committee over whom to support."

Their complaints follow this week's sharp condemnation of Mr Arafat's administration's handling of the elections by the head of the European Union monitoring team. Mr

Carl Lidbom, head of the European Union elections monitoring team, released a sharp statement Monday saying that Mr Arafat's administration's manipulation of the pre-election preparations was harming the poll's credibility.

Mr Lidbom questioned the political independence of the Central Elections Committee, which is headed by Mr Mahmud Abbas, a key deputy of Mr Arafat. He also complained about the truncating of the campaign period from 22 days to 14 days, making it more difficult for opposition and independent candidates to garner support. Elections officials reinstated the official campaign period yesterday in response to Mr Lidbom's criticism.

Mrs Hanaan Ashrawi, the noted Palestinian human rights activist, condemned Mr Arafat's administration yesterday for violating freedom of the press over the arrest of the editor of a leading Palestinian daily. Mr Maher al-Alami, who was released Saturday, was held for six days for not publishing a front-page story praising Arafat's relations with local Christians. Ms Ashrawi is an independent candidate.

While Mr Arafat's opposition has come largely from Islamic groups opposed to the peace process and not running in the elections, the overall criticism reflects a general unease with Mr Arafat's authoritarianism among the secular Palestinian intelligentsia. While Mr Arafat is considered above the politics and a shoe-in for the presidency, some observers think a protest vote against him may come out in elections for the legislature, where some of his close allies could lose.



Charles Schwab, discount broker pioneer, picked up his first copy of Forbes at his father's law firm in 1959.



Larry Ellison, founder and CEO of Oracle, started reading Forbes as a computer programmer in 1972.



Michael Dell, founder and CEO of Dell Computers, borrowed his first copy of Forbes from his mother in 1978.

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NEWS: INTERNATIONAL

Third round of bidding is expected after eight out of country's 13 zones fail to attract foreign investors

India's telecom tender finds lukewarm response

By Mark Nicholson in New Delhi

India's year-long attempt to attract foreign and private investment into the telecoms sector secured only a lukewarm response this week when the deadline passed for a second round of bids...

venture companies submitted bids in the other five zones. The initial bid round drew 81 bids from 16 companies for all 20 zones offered...

Andhra Pradesh, which bid Rs42bn (\$1.19bn), R P Goekna group and NTT of Japan in Tamil Nadu (Rs11.16bn), Essar Group and Bell Atlantic of the US in Punjab (Rs4.5bn)...

exceeded the government-set reserve prices. No bids were received for Kerala, West Bengal, Assam, Madhya Pradesh, Himachal Pradesh, Orissa, eastern Uttar Pradesh, the Andaman and Nicobar Islands, and the north-eastern states.

bidding both by the political controversy surrounding India's telecom deregulation and by the reserve prices introduced by the government after the first round of bidding.

unbid states "would not have been financeable" and that the government would have to cut these prices to attract offers in a third bidding round.

said they feared a third round would be subject either to increased political controversy or further delay. With elections due by June, re-bidding in the next few months would be too close to the poll and risk turning the round into a "political football".

Sino-UK thaw set to assist Rifkind

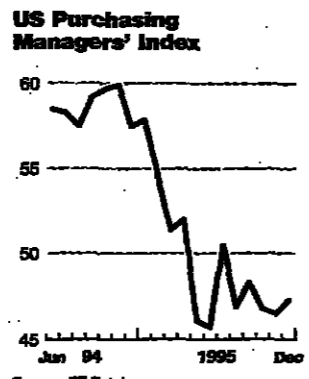
By Simon Hobberton in Hong Kong

Mr Malcolm Rifkind, Britain's foreign secretary, will press Chinese leaders to draw back from plans to dissolve Hong Kong's elected parliament and water down its human rights law...

Index suggests little pressure on US prices

By Michael Prowse in Washington

The US economy is likely to grow sluggishly and experience little upward pressure on inflation, a national survey of executives indicated yesterday.



However, there was positive news on inflation. An index measuring price pressures fell from 44.5 per cent in November to 40.8 per cent, the lowest reading since July 1991 when the economy was emerging from recession.

before Christmas in an effort to stimulate the sluggish economy. Many US economists expect further rate cuts, given the apparent absence of upward pressure on inflation and lacklustre growth in many sectors.

Disney works its computer-animated charm

Christopher Parkes on Hollywood's hopes, moneyspinners and disappointments in 1995

Twister, a film featuring a nasty attack of wind, is already being touted as one of the big cinema seat-fillers of 1996, even as the disappointments of an over-crowded but under-attended 1995 movie season enter oblivion.



Animal appeal: Babe the talking pig (with Fly the collie) was the surprise success of 1995

Table titled 'Best highest-grossing films of 1995' listing movies like Titanic, The Usual Suspects, and The Waterboy with their box office earnings.

Hopes are also being pinned on Eraser, starring action-mam Arnold Schwarzenegger, to obliterate uncomfortable memories of a year in which "expert" forecasts went predictably awry and US box offices barely matched 1994's take of \$8.9bn.

founder, stood fourth in the US rankings for 1995 even though it had been on release for less than two months. With US takings of \$115m it was close behind its stablemate, the conventionally animated Pocahontas.

merger with Capital Cities/ABC consolidated Disney's top position in international entertainment. Toy Story was the film which tightened its grip on movie-goers' money.

newly released Tom & Huck, the original Disney group is expected to have kept its top position with more than 30 per cent of the domestic market.

Orange County determined to banish government by 'good old boys' network

Leaks of court hearings have revived bankruptcy memories, writes Christopher Parkes

Mr William Popejoy, a retired savings and loan executive, recounts his experiences when he took on the unpaid job of running California's stricken Orange County after financial scandal and a \$1.7bn loss in the county's investment pool forced it into bankruptcy.

radar screen. It has had no real material effect on the county. But was it not worrying, he and his colleagues asked, that the county's ability to absorb such shocks with few after-effects might lead to complacency? Was there not a risk of a return to the bad old ways of "good old boy" management and territorial and administrative fiefdoms which had flourished since pioneer times?

unprecedented detail. The predilection of Mr Robert Citron, former county treasurer, for taking investment advice from astrologers and psychics, has been thoroughly aired, and he has pleaded guilty to the charges that Mr Raabe plans to contest.

This is just the sort of situation the proposed reforms would prevent. Central to the plan is the appointment of a professional chief executive in place of day-to-day government functions.

Supervisors, elected to devise but not administer policies, would be limited to two four-year terms as a means of discouraging "old pals" networks.

INTERNATIONAL NEWS DIGEST

US chip maker sues Samsung

Texas Instruments, a leading US semiconductor manufacturer, has filed a suit against Samsung Electronics of South Korea, the world's largest manufacturer of memory chips. The action followed negotiations over renewing a patent licensing agreement which expired at the end of 1995. TI said.

Tobacco groups challenge FDA

The US tobacco industry yesterday stepped up its campaign against proposed regulations aimed at stopping children smoking cigarettes, ahead of a midnight deadline for submissions. The industry fears the measures could be the prelude to even more radical action against cigarette smoking.

Zapatistas reject military role

Mexico's Zapatista guerrillas, who staged a well-planned if brief uprising two years ago, have said the movement is to become primarily a political, rather than military, force.

Nigeria frees detainees

Nigeria's military authorities freed earlier this week four political detainees, including Mr Waribe Agamene, the former leader of the oil union Nupeng. The union led workers on a crippling strike in 1994 to press for the installation of Mr Moshood Abiola, the presidential claimant, as head of state.

But after almost a year it had become easier to bear, not least because life in one of the richest regions in the US was not so bleak as it once was. As Mr Popejoy said: "The bankruptcy was almost just a blip on the

Testimony, including that from Mr Matthew Raabe, the assistant county treasurer preparing his defence against charges of securities fraud and other offences carrying penalties up to 14 years' prison, revealed the inner workings of Orange County's government

As for himself, he had been "slandered" in the press. "I believe there are people who committed acts who, for whatever reason, would prefer to see that this case ends with an indictment and conviction of Citron and myself so that they can go

Supervisors were once again involving themselves in the day-to-day business of government, helping make the administration "dysfunctional at best. At worst, dangerous," he charged.

Britain is resisting a demand by Beijing to exclude Governor Chris Patzen from the hand-over ceremony, and China has yet to indicate how it envisages co-operation between the preparatory committee and the Hong Kong government.

Economy gives Suharto cause to celebrate

But foreign investment boom fuels debate over Indonesia's current account deficit, writes Greg Earl

It was hard to tell whether Indonesia's President Suharto was being the life of the party or hinting that he was about to close the bar when he greeted the economic New Year.

the destabilising 10 per cent expected earlier in 1995, and ministers say real GDP growth will be above the 7.1 per cent projected in Indonesia's revised five-year plan.

The rupiah has been on a rollercoaster in the past year, oscillating between the lure of

the increasing dilemma that Indonesia's economic planners face as they try to restrain inflation with high interest rates but boost exports with a depreciating currency - all in a very open capital market.

to argue over the outlook. There are also concerns about the competitiveness of Indonesia's other main non-oil export earners - textiles, clothing and footwear - with varying recent growth figures for specific products. But non-oil minerals and newer manufacturing sectors such as electronics and jewellery look more positive.

As the country's 74-year-old leader prepares to deliver his annual budget and economic statement tomorrow, he feels he has something to celebrate. After a year which began with fears that the Indonesian economy might be facing the same problems as Mexico, its oil-fuelled, highly indebted cousin, Mr Suharto has managed quite a recovery.

However, the foreign investment boom has also fuelled the debate about the principal weak point in the Indonesian economy - a rising current account deficit stemming from a poor export performance and a growth-driven import surge. The deficit is estimated to have

high interest rates and foreign fund manager concern about parallels with Mexico. But that has not stopped Bank Indonesia, the central bank, from experimenting with a freer floating currency by widening the band within which the rupiah can move without intervention.

target," the Australian National University's respected economic survey said recently. Although most economists say the \$2bn current account deficit is quite acceptable at about 3 per cent of GDP, there is growing scrutiny of the projects drawing in capital goods imports and the reason for the poor export performance.

An overall decline in the value of the country's biggest single non-oil export - plywood - has played the key role in the export deterioration, with economists blaming constraints imposed by a wood export cartel.

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Alarm bells ring for mobile phone sales

By Alan Cane

Sales of mobile phones in the UK this Christmas fell well below the record levels experienced last year, indicating that consumers have stopped treating them as impulse-buy, high-tech presents.

Last year, mobile phones were among the most favoured electronic presents, vying for popularity with personal computers and games consoles.

This Christmas, sales of new connections by the leading operators were only three-quarters of the level a year ago. Consumers seem to have

learned that a mobile phone is not just for Christmas: the handset may cost only a few pounds but the bills come in each month throughout the year.

Both Vodafone and Cellnet, which now share market leadership with about 2.3m subscribers each, reported sharply lower figures for the three months ending in December 1995.

Vodafone made 266,000 gross new connections, down from 318,000 in the same period of 1994. Net new connections - allowing for the number of people who cancelled their subscriptions - were 143,000 in the fourth quarter of 1995, compared with 186,000 in the same quarter a year before.

Cellnet, in which British Telecommunications has a majority stake, reported 378,500 connections in total, compared with 369,500 last year. Net new connections were 215,000, down from 281,200. For both companies, the decline in new connections between the comparable quarters was just over 23 per cent.

The UK's two smaller operators, Mercury One-2-One and Hutchison Orange, which operate digital networks, will report their new connections in the next few days.

There was speculation yesterday that their figures would reflect the decline experienced by their longer

established rivals. Vodafone and Cellnet said yesterday they had anticipated the decline in Christmas trade as sales became more uniform month on month.

Both companies achieved record new connections during the year: Vodafone finished the year with 2.33m subscribers, having added 694,000 in 1995.

Sir Gerald Whent, Vodafone's chief executive, said business had continued throughout the year at a higher level than before. "In all but one month of the year (December), we connected more subscribers than the equivalent period of 1994," he said.

Cellnet said it had 2.3m subscribers, adding 740,000 new connections during the year. Mr Howard Ford, Cellnet managing director, said there had been high levels of sales throughout the whole of 1995.

Orange's rivals accept it has led the way in establishing branding and there will be great interest in the operator's connection figures as it is set to float later this year.

Vodafone, for example, will announce additional tariffs soon based on per second billing and "bundled" charges which include specified amounts of "free" airtime, both features of Orange's current offering.

UK NEWS DIGEST

Accountants back US reforms

Leading UK accountants yesterday welcomed US reforms which reduced the burden of legal liability on auditors and urged the UK government to follow suit.

The reforms will add to pressure on the government to help the big accountancy firms meet a growing threat from legal actions. The UK's Big Six firms and professional bodies have been campaigning to reform the law of joint and several liability under which auditors can end up paying all the damages in a claim even if they are only partly to blame. The US law introduces proportional liability instead.

"We have been saying to the government and the public that the UK is getting behind in these things," said Mr Bruce Picking, technical director at the Institute of Chartered Accountants in England and Wales. "We hope similar steps will be taken in the UK." The Law Commission is currently looking at the feasibility of reform in the UK. Accountants also want auditors to be able to negotiate a cap on their liability.

Jim Kelly, Accountancy Correspondent

Water chaos hits Britain

Hundreds of thousands of households throughout Britain were still without water last night as water companies struggled to mend burst mains revealed by the rapid thaw in temperatures following the Christmas freeze.

The crisis threatens further embarrassment to the water industry, already under pressure as a result of shortages caused by the summer's unusually hot weather and drought.

In the north-east of England alone, up to 100,000 properties were without supplies last night, and customers were forced to collect water from tankers being used as mobile reservoirs. In Scotland, up to 500,000 are believed to have been affected. Water companies last night denied that the problems were due to underinvestment. "If we had all new pipes, we would have had the same problem," they said. Unlike in colder countries, British water mains are buried just one metre under ground as soil rarely freezes below that level. In the US and Russia, however, pipes are generally 3 metres deep to account for the colder weather.

Peggy Hollinger

Capel begins market-making

James Capel, the London broker owned by HSBC Holdings, yesterday began market-making in 200 top UK stocks.

Although Capel has already acted as a market-maker in European shares, it had long been seen as the standard-bearer of agency stockbroking in London.

It was one of the few big stockbroking firms in the London stock exchange's 1986 Big Bang to hold out against the shift to market-making, in which dealers quote prices at which they are willing to buy and sell a stock.

Mr Bernard Asher, head of investment banking at HSBC, said the group was "not exactly going overboard about it" but added that market-making brought certain privileges and had a place in Capel's activities.

George Graham

Maxwell trial resumes

The Maxwell fraud trial resumes today with the judge, Lord Justice Phillips, beginning his summing up. The judge is expected to finish his task early next week after which the jury will be sent out to consider its verdict.

Mr Kevin Maxwell denies two charges of conspiring to defraud the Maxwell pension funds by using fund assets to raise money for the private Maxwell companies. Mr Ian Maxwell and Mr Larry Trachtenberg, a former adviser to Robert Maxwell, both deny a single conspiracy charge.

John Mason

Legal wrangles looming after copyright shift

By Peter Marsh

A wave of legal disputes in the book and music industries over royalties was predicted yesterday as a result of a change in UK legislation which revives copyright protection to an important group of writers and composers.

Legislation taking effect this week will mean that publishers and music companies will have to pay an amount estimated at several million pounds a year to the estates of people including Gustav Holst, D.H. Lawrence and John Buchan who died between 1925 and 1945.

The change in the law, introduced as part of a harmonisation of copyright legislation across the European Union, extends copyright protection after death from 50 years to 70 years.

Germany already protects on a copyright basis artistic works for 70 years after their creators' death. France and Italy, which like Britain previously had shorter periods, have also moved recently to 70 years.

The legislation has been brought in on a retrospective basis covering producers of creative works previously out of copyright for as long as two decades.

Mr Clive Bradley, the chief executive of the Publishers Association, which represents

companies in the UK's £3.5bn (£5.35bn) a year turnover publishing industry, said: "The revival of protection to authors who previously were out of copyright is an unnecessary complication and will cause a lot of arguments." Penguin Books said the changes would have an impact on a "significant number of our titles".

Among the beneficiaries of the new legislation will be the National Trust, which collects royalties from the estate of Rudyard Kipling, another author covered by the new legislation on account of his death in 1936. The Royal Literary Fund, which distributes cash to budding authors, will also see a swelling in funds from money flowing in from companies publishing G.K. Chesterton, who also died in 1936.

The amounts of cash to be paid will depend on complex negotiations between agents and executors acting on behalf of the estates of dead authors or composers, and publishers and recording companies.

Publishers will be able to escape the additional royalties if they can prove that they had already started work last year on a new version of material originating from earlier in the century. However, the exact definition of when work has started may prove a source of dispute.

Economy Consumer spending shown picking up over past month Rate cut expectations damped

By Gillian Tett, Economics Correspondent

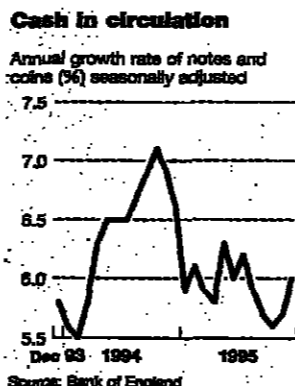
Hints of stronger economic activity, coupled with growing market concern about the possibility of an early UK general election yesterday damped expectations of an imminent cut in interest rates.

The level of notes and coins circulating in the economy rose strongly in December, suggesting that consumer spending picked up over the Christmas holiday.

The data came amid widespread reports that retailers have enjoyed better than expected trade over the last month.

The strong growth in cash in circulation left the annual growth rate in M0 - the narrowest measure of money supply - well outside the government's monitoring range of 0 per cent to 4 per cent.

The Bank of England said



that M0, which measures cash in circulation and bankers' deposits, grew by a seasonally adjusted 5.9 per cent in the year to December.

With the rise following a strong rate of growth in November, this pushed the three-month on three-month rate up to 9.1 per cent, the

sharpest jump for almost two years. The rise in M0 in December was slightly exaggerated by an erratic increase in bankers' deposits, which account for a small part of M0.

But the level of notes and coins in circulation, which accounts for the rest of M0, also grew by 6 per cent in the

year to December, and by 0.8 per cent between November and December.

In previous recoveries M0 has been a good predictor of retail sales. However, the relationship between the two series was more erratic earlier last year.

But in spite of these problems, some economists yesterday suggested that the data were a good omen for December's sales. A strong M0 figure in November was accompanied by better than expected levels of spending.

In the first day of trading in 1996, the sterling futures contract for June, which reflects interest rate expectations in that month, fell nine basis points, to \$3.82. Although this means traders still expect rates to fall from their current level of 6.5 per cent between now and June, they expect a smaller fall than at the end of 1995.

Exchange information rules tightened

The London Stock Exchange yesterday issued new guidelines for industry regulators on the control of information which could affect the share prices of companies under their supervision.

The Stock Exchange began an inquiry into share dealing after the leak, but officials said yesterday that they could not comment on whether it had been concluded.

The new guidelines would not have stopped the price controls leak, which caused chaos in electricity company share prices. Offer officials said they were already pre-releasing sensitive information

to companies no more than 24 hours before publication, and giving information only to the chief executive of each company.

Some London stockbrokers said yesterday that only the simultaneous release of sensitive information to the companies and to the exchange could really guard against that kind of price manipulation.

Besides limiting the pre-release period for price-sensitive information, the regulators have agreed to make sure information is passed only to people who "need to know".

controls planned by Professor Stephen Littlechild, head of the Office of Electricity Regulation, on regional electricity companies.

The Stock Exchange began an inquiry into share dealing after the leak, but officials said yesterday that they could not comment on whether it had been concluded.

The new guidelines would not have stopped the price controls leak, which caused chaos in electricity company share prices. Offer officials said they were already pre-releasing sensitive information

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BUSINESS AND THE ENVIRONMENT

Road test for natural gas truck

Perkins, the diesel engine subsidiary of Varity Corporation of the US, has launched what is claimed to be Europe's first natural-gas powered articulated heavy truck to enter commercial service, in partnership with UK truck maker ERF and BOC Distribution Services.

The 32.5 tonne "artic", built by ERF and using a new Perkins "lean-burn" engine, is entering service with Marks and Spencer delivering chilled food supplies to stores in the London area. Its performance and operating costs will be monitored before a decision on full commercial production of such trucks is made. Marks and Spencer has also been using a lighter gas-powered truck, with a smaller Perkins unit, on daily delivery work for the past 18 months.

Natural-gas powered trucks are increasingly seen as a potential way to cut exhaust pollution in urban areas compared with diesel engines which power most large commercial vehicles. British Gas, an obvious proponent of natural gas usage, already has a fleet of several hundred lighter vehicles converted to run on natural gas and is planning to open more refuelling outlets than the handful currently scattered across the UK.

Perkins claims that emissions of particulates - suspected of causing cancer - on its new engine are virtually non-existent compared with diesel engines while emissions of nitrogen oxides are 60 per cent lower than required under tough new "Euro 2" emissions standards for trucks becoming effective during this year and next.

It was to encourage the use of such "clean" power units that the UK cut the tax on compressed natural gas and liquefied petroleum gas by 15 per cent in November 1995, while increasing that on diesel and petrol by above the rate of inflation. British Gas has been promoting the wider use of CNG in the UK.

John Griffiths

Tartu in Estonia is being fast-forwarded to an environmentally friendly future by western technology - and its residents are getting better heating systems for the long, cold winters into the bargain.

Extensive programmes to cut heat loss, reduce energy consumption and convert boilers from fossil fuel to bio-fuels mean the town has a cheaper, cleaner, more efficient and more reliable heating system than before.

"We feel we have joined the 21st century," says Enn Pernamäe, director of Tartu's Aardla boiler plant - now fed by wood chips instead of oil - after the inefficiencies and waste of the Soviet era.

Aardla is one of more than 40 Baltic region projects relying on financial and technical assistance from Nutek, a Swedish public-sector organisation promoting technology and energy efficiency.

Nutek's aim is to improve energy efficiency in Estonia, Latvia and Lithuania (and, to a more limited extent, Russia and Poland) by working with municipalities and local companies to convert boilers and improve heat distribution and building standards.

The idea is to try to holster environmental protection by reconstructing boiler houses to operate wholly on local fuel, and reducing energy loss in residential houses and heating systems.

Other western organisations involved in similar projects include the World Bank and the European Bank for Reconstruction and Development.

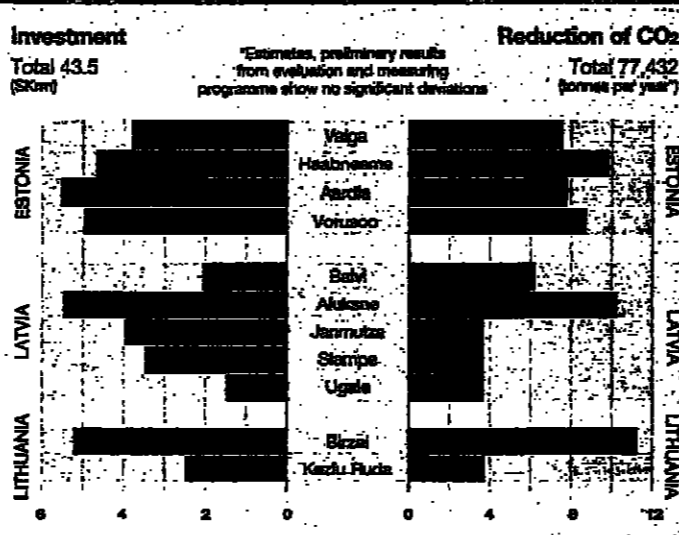
Among Swedish companies involved in the work, Energiakonsult has provided technical skills, and KMW Energi has supplied equipment. Local companies have participated in the reconstruction of the boiler houses.

The two sides have contrasting motives. The Baltic states have an obvious financial interest in cheaper fuel after a surge in prices since their independence from the Soviet Union (where heating was supplied at completely uncommercial rates) four years ago.

An average Estonian can spend up to a third of his salary on heating. The Swedes are more interested in helping the Baltic states cut their output of carbon dioxide as part of joint implementation arrangements, where one country can gain a credit for lowering the CO₂ output of another. Both sides seem to be achieving their objectives. Using wood chips instead of oil has cut the fuel bills of some Baltic boiler plants by up to 50 per cent.

Pernamäe says the Aardla conversion is cutting fuel costs by 2.1m Estonian crowns a year. Nutek, meanwhile, says its projects

Cost of cutting emissions



A warm future

The Baltic states are learning from western heating technology, writes Christopher Brown-Humes

will cut CO₂ production by as much as 250,000 tonnes a year, as well as reducing output of sulphur dioxide and nitrogen oxide.

The main idea is to use the savings from lower fuel costs to

plant owners at Stockholm Interbank Offered Rates (currently about 8.65 per cent) and are repayable over 10 years, with a two-year period of grace. As security, Nutek gets guarantees

from local municipalities and real estate as collateral. In one case in Latvia, the security is a municipal cinema.

Where Nutek believes its concept scores is in the wider benefits it offers. Residents might not be getting lower fuel bills, but they are getting better value for money -

repay the loans advanced by Nutek to finance the improvements. But that means that, initially at least, end-users are not generally getting lower heating bills.

"This is essentially a commercial operation," says Hans Nilsson, the head of Nutek's energy efficiency unit. Loans are granted by Nutek to

longer heating seasons, higher average room temperatures and hot water during the summer.

Benefits also include reduced wastage, better heat regulation and heating systems that last longer.

"We are aiming for better all-round quality. In the past, the way people cooled down was simply by opening the window," says Gudrun Knutsson, the programme's project leader.

Nutek's priorities are speed, affordability and reliability. It emphasises simple, tried-and-tested technology and cuts through red tape by keeping involvement with national governments to a minimum.

It also provides a consultant to assist the local project leader with implementation.

Significantly, there is no "buy Swedish" requirement attached to the loans, which not only benefits other international suppliers but also companies in the Baltic region, where costs are lower. Swedish companies are, nevertheless, winning a substantial number of contracts and are linking up with Baltic companies to boost business.

Nutek has committed SKr27.5m (\$22m) to its Baltic energy projects and has recently been promised a further SKr50m from the Swedish government. The idea is that, as loans and interest are repaid, funds are recycled to new projects.

However, Nutek does not expect to fully recoup its outlays, partly because of administrative costs and partly because it anticipates some defaults.

Not everything has gone smoothly. Some residents are not paying their fuel bills - because they are so high - meaning that plant owners are also finding the going tough. There are also questions of access to wood chips and prices. In Lithuania, for example, the state has a strong hold because it owns much of the forest. Middle men have also tried to drive up prices by cornering supplies. Finally, there are continuing political and legal uncertainties which could undermine the value of the securities and guarantees pledged.

Nutek says its model works particularly well in Baltic states because they have ready access to wood and a strong desire to be more self-sufficient in energy and cut costly imports. It works less well in Poland, which is keen to support a substantial domestic coal industry.

But the Swedish organisation is not discouraged. Nilsson says there are many more projects needing to be financed.

Indeed, he is trying to promote a clearing house system aimed at bringing potential financiers together with municipalities and local companies in eastern Europe to drive the process further.

Death in the warren

Nikki Tait on the escape of a virus meant to control Australian rabbits

Australia's human population may have been popping champagne corks on the beach over the holiday season. Its rabbit population has had less cause for celebration. It is being threatened by rabbit calicivirus disease (RCD) which "escaped" from Warrang Island off the South Australian coast in mid-October. The disease, which first surfaced in China a decade ago and subsequently spread through parts of Asia, Europe and north Africa, was brought into the country in small quantities by the large, government-owned Commonwealth Scientific and Industrial Research Organisation.

The Australian and New Zealand governments were interested in using the virus to control Australia's feral rabbit population, and had asked CSIRO to research its effects. Controlled laboratory trials had been completed, and scientists were working through the field trials when the disease "jumped" to the mainland.

Quite how RCD made the 4km crossing is unclear; the most innocent explanation is that it was carried by flies. In the last two months of 1995, more than 10m rabbits died. The rabbit population of the Flinders Ranges, South Australia, where RCD first took hold, was ravaged. Scientists estimated the drop at more than 95 per cent.

In a matter of weeks, the virus had also crossed the New South Wales border, and by mid-December Queensland had recorded its first confirmed case of calicivirus. Although the spread appears to have been slower through the arid lands to the east of Broken Hill, CSIRO says that this may be due partly to the lack of human habitation, and hence low reporting levels.

In any event, the spread has been sufficiently fast for New Zealand - which is battling a particularly serious rabbit problem on its South Island - to talk of accelerating remaining testing. A deliberate introduction is possible this year.

Australia, meanwhile, is trying to top up the gains and losses from the inadvertent early release. Farmers, who have suffered ever since rabbits were introduced into Australia in the mid-19th century, are anything but sorry. The rabbits' impact on Australian agriculture is put at hundreds of millions of dollars a year.

The likely effect on Australia's environment generally remains a matter of speculation. In the short term, there have been some reports of blowfly proliferation in virus-affected areas. (To a large extent, the sheer scale of the Australia outbreak means that carcasses simply rot, although many rabbits die in warrens.)

In the longer term, there are hopes that, without rabbit damage, native plants and species will return. However, other experts worry that certain wild species - birds of prey, for example - will decline without rabbits as a food source.

One concern is whether there is any danger of the virus mutating and affecting other animals. CSIRO acknowledges that some members of one group of caliciviruses can infect several species, but says that RCD belongs to another group and all the evidence is that it infects only one species. "There is no evidence that rabbit calicivirus has infected any animals other than European rabbits," says Keith Murray, head of the CSIRO's Australian Animal Health Laboratory.

But perhaps the most damaging effect has been to highlight debate over the country's protective standards. Australia's natural physical isolation and unique habitat make it vulnerable to imported "diseases", which then encounter an indigenous resistance. The "escape" of RCD was unkindly timed. A few weeks earlier, papaya fruit had surfaced in northern Queensland, having apparently eluded the quarantine net. This prompted Japan to halt mango imports, and led to the entire area being quarantined.

Shortly afterwards, alarms were raised when the destructive Formosan termites was found on an imported boat in Sydney's upmarket eastern suburbs.

CONTRACTS & TENDERS

GLOBAL TENDER NOTIFICATION
GUJARAT MARITIME BOARD
INVITATION TO PORT CONSULTANTS

TO SUBMIT PROPOSALS FOR CONDUCTING FEASIBILITY STUDY(S) FOR DEVELOPMENT OF PORT(S) AT GREENFIELD SITE(S) IN GUJARAT (INDIA)

The Gujarat Maritime Board (GMB), by virtue of the authority vested in it, by the Gujarat Maritime Board Act (1981), to administer, manage and control the ports and harbours in the State of Gujarat (India), invites tenders from interested individuals or in Consortium, to submit their Technical and Financial proposals for conducting one or more of the following studies:

Engineering Pre - Feasibility Study(s):	Detailed Project Report(s):
For one or more of five sites, which are to be offered to private developers on Build-Operate-Transfer basis.	For one or more of four sites, which are to be developed by GMB.
The pre-feasibility study will form a base document for interested private developers in preparing their bids for developing the site. It will also be used by GMB in its evaluation of the bids.	The detailed project report will be used for preparing tender documents for inviting construction companies to begin site development.
Scope of work: 1. Examine the marine conditions and suggest a best possible site (or a set of alternative sites) for locating the port facilities. 2. Suggest water front and on-shore & offshore facilities to handle the estimated traffic. 3. Indicate order-of-magnitude cost estimates for the proposed waterfront and on-shore & offshore facilities.	Scope of work: 1. Examine the marine conditions and suggest a best possible site (or a set of alternative sites) for locating the port facilities. 2. Layout and detail design for all waterfront, on-shore and off-shore facilities, including the methodology to handle the estimated traffic. 3. Rough cost estimates for the facilities covered in (2) above.
Proposed Sites: Hazira, Itanadi, Mahwada, Soma, Vandi Bora Expected Period of assignment: 16 weeks	Proposed Sites: Besti (Road), Dahaj, Mundra, Porbandar Expected Period of assignment: 24 weeks

The Gujarat coastline serves a large part of Northern India, which is witnessing rapid industrialisation. The above ports are being developed in response to the large demand for increased and better port facilities. The new sites are to be developed as specific cargo handling ports, with capacities of about 8mt per annum.

Tentative Bidding Schedule		Bidding Fees	
Activity	Date	Fee (either in Rs or in Dollars)	When to pay
Last Date for purchase of Bid Document	Feb 1, 1996	US\$ 150	Purchase of document
Pre bid conference	Feb 5, 1996	Rs 500	Purchase of document
Last date for submission of proposals	Mar 15, 1996	Rs 1000	Purchase of document
Award of Contract	Apr 7, 1996	Rs 10,000*	Submission of bid(s)

*Number of sites, the consultant has bid for

GMB reserves the right to reject any or all of the bids without assigning any reason whatsoever.

All correspondence, clearly marked "Reference Feasibility Study" may be addressed to:

The Vice Chairman and C.E.O., Gujarat Maritime Board, Block 6-29, New Civil Hospital Annex, Rajkot, Gujarat, Ahmedabad 360016, INDIA, Phone: +91 (79) 376279, 376280, 37643333 Fax: +91 (79) 362516

Sd/- Vice Chairman & CEO, Gujarat Maritime Board, Government of Gujarat

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And because we believe it is more important to conserve the rainforest than to just grow rice, WWF agricultural extension workers helped to construct concrete tanks and dig fish ponds. Now an entire community benefits and the entire community runs the fish pond programme with our assistance.

World Wide Fund For Nature (formerly World Wildlife Fund) International, Secretariat, 119, Great Street, London, W1P 3AA, UK.

LEGAL NOTICES

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

LINDA S. KAISER, INSURANCE COMMISSIONER OF THE COMMONWEALTH OF PENNSYLVANIA,

Plaintiff,

vs.

THE MUTUAL FIRE, MARINE AND INLAND INSURANCE COMPANY,

Defendant.

NO. 3483 C.D. 1986

NOTICE TO CREDITORS AND OTHER CREDITORS OF MUTUAL FIRE, MARINE AND INLAND INSURANCE COMPANY (IN REHABILITATION)

On December 15, 1995, the Commonwealth Court issued an Order setting a bar date of March 31, 1996 and a second date of December 31, 1995 for all Class 1 and 6 credit claims. These claims are limited to claims of insurers who ceded business to Mutual Fire, as a reinsurer. The record date of December 31, 1995 limits credit claims to those actually paid by December 31, 1995.

ANY CREDITOR WHO FAILS TO FILE A FULLY COMPLETED PROOF OF CLAIM ON OR BEFORE MARCH 31, 1996 SHALL BE FOREVER BARRED FROM PARTICIPATING IN OR RECEIVING ANY DISTRIBUTION FROM THE ESTATE. Copies of the Proof of Claim are being sent to all eligible creditors and are available upon request. A full description of the rights and obligations of creditors is contained in the Plan of Rehabilitation, which will be provided upon written request. All such requests must include a 9" x 12" self-addressed envelope with US \$2.50 postage pre-paid.

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GLOBAL TENDER - NOTICE INVITING TENDER (NIT)
TENDER NO. PSEM/MS/MS/95-96 DATED 22.12.95

1. Sr. Stores & Purchase officer on behalf of PSEM ONGC, Goa (India) invites sealed bids in duplicate from prospective bidders under "Two Bid System" for System Design, Supply Installation, Commissioning of Helicopter Underwing Escape Training Facility on Timbley Green, Goa India. Detailed scope of work and specification shall be specified in tender document.
- 2(a). Bids shall be from manufacturer or their authorized dealer.
2(b). Bids from authorized dealer should be accompanied with back-up authority letter from concerned manufacturer to market their product to them and with commitment to support them in successful installation and commissioning of the system. Such an authority letter should be valid at the time of bidding. Required warranty cover of the manufacturer for the product should also be provided by such a supplier. Offers without back-up authority from manufacturer will not be considered.
3. Interested bidders may obtain non-transferable tender documents by submitting a Non-refundable crossed bank draft from US\$ 200 in case of foreign bidders and Rs.6,000 in case of Indian bidders through a reputed bank, drawn in favour of P&G, ONGC payable at Goa (India). Tender documents will be available for sale from the date of publication of this NIT to 15.03.96.
4. Tender documents can be collected on any working day from the office of Sr. Stores & Purchase Officer, 84C Layman, Davorim, P.O. Navelem Margao, Goa, India between 1430 hrs. to 1630 hrs. Tender documents will also be available for sale at the office of Sr. General Manager (MS&M), Oil & Natural Gas Corporation Ltd. 17-E, Maker Tower, Cuffe Parade, Colaba, Bombay-400 005.
5. Agents / representatives in India of the foreign principals are also permitted to purchase tender documents on behalf of their principals by giving a letter of authority from the principals concerned on provisional payment of requisite tender fee in Indian currency which will be returned provided the offer of principals is accompanied by the prescribed tender fee in the foreign currency.
6. ONGC reserves the right to reject any / all bids without assigning any reason whatsoever.
7. The closing date for submission of techno-commercial (Unpriced) and price bids in separate sealed covers is 11.03.96 (1400 Hrs. IST) and techno-commercial (Unpriced) bid will be opened on same day at 1500 Hrs. (IST)
8. Bidders to note that no request for extension in due date shall be entertained, in case of unavailability of bidder in Goa (India) on the prescribed day of closing / opening of the tender, the next working day will be treated as the scheduled prescribed day of closing / opening of the tender.

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سكزا عن الاصل

Opera/Richard Fairman

An adventurous Luisa Miller

All eyes are on Opera North at the moment, although the company will not appreciate the reason why. Paul Daniel, music director, has been headhunted by English National Opera and so far has failed to give a decision in public either way, merely stressing in judicious words how much he values his work in Leeds.

There are benefits from being in the driving seat of a compact and energetic company like Opera North. Daniel almost certainly has more direct control over what is going on than he would at a large concern like ENO and enjoys the pick of the rare repertoire that has given Opera North its reputation for adventure. Over Christmas a new production of Verdi's infrequently staged *Luisa Miller* demonstrated everything that makes his job worthwhile.

The foundation of the production's strength was to be found in the orchestra pit. Verdi's score - a not quite masterpiece, composed shortly before *Rigoletto* and *La traviata* - was played with splendid vitality and no less well sung by the chorus, demonstrating how conductor and musicians have been working at their Verdi to mutual advantage.

To complain that Daniel lacks idiomatic flexibility would seem ungenerous, when the younger generation of Italian opera has lost the tradition as well. Music and production alike made much of the opera's gradual ratcheting of intensity. In the earlier acts Verdi is keen to show the characters against their social background, which is just the kind of issue present-day producers cannot resist. Tim Albery had the peasant family living in a toy hut, while the aristocracy were uncaring humankind's fisher mobs, who kept their noses as well as their rifles in the air. The grimly stark sets by Stewart Laing were dominated by a staircase which led up into the flies and out of sight - apparently symbolic of the climb that separates the lofty and the lowly in this socially divisive story.

Then, in the final act, Verdi draws in his focus to the young lovers and, fortunately, the production responds. Once rid of his heavy-handed treatment of the opera's politics, Albery does the decent thing and sets about bringing life to the relationship that are ultimately the main interest in *Luisa Miller*.

As in so many Verdi operas, the emotional burden rests on the shoulders of the father, here the Miller, a baritone like Rigoletto, Simon Boccanegra and others. Alan Opie turned the role into the central figure of the opera. It is a joy to hear a singer who does not just chop up Verdi's vocal lines into the same easily digestible pieces that everybody else does, but phrases with real care in his own individual way. He also avoided caricature, unlike Matthew Best's Colonel Blimp of a Walter or Clive Bayley's slimy, worm-like Wurm, both products of Albery's unsubtle imagination. Ethna Robinson was rather too slight a Duchess Federica.

The roles of the two young lovers whose deaths form the final double tragedy are - all too appropriately - killers to sing. Working on its limited budget, Opera North must count itself fortunate to have secured the services of the soprano Susannah Glanville and the tenor Arthur Davies, even if she is short on Italianate warmth of tone and he was pressed to his limit in the most dramatic passages. They both did more than get round the notes (Davies shaped "Quando le sere" with thoughtful musicality); they both gave their best.

Opera North's audiences have some glorious, unfamiliar Verdi to look forward to, as long as they can bear this staging's aggressive visual style and quirks. Meanwhile, the company will be hoping that Paul Daniel is not about to climb that lofty staircase of ambition and disappear out of its grasp.

Further performances at the Grand Theatre, Leeds, on January 9 and 11; then on tour.



An extended obsequy: Simon Callow as Purcell in John Osborne's 'England, My England'

Television/Antony Thorncroft

More turkey over New Year

The television companies showed no sympathy for us pathetic misfits whose idea of a rollicking New Year's Eve was to watch the box. Why no heavyweight review of 1995; no optimistic address from our leader; no magic carpet ride to where they celebrate with some style? Yes, we did get to see some Scotsmen's kneecaps, but only after midnight, by which time Edinburgh's spectacular fireworks display had exploded into the ether.

The run up to the calendar shunt was pathetic - a choice on terrestrial channels of an Australian movie, *Strictly Ballroom*, a garish antidote to *Comic Dancing*; a repeated Poirot mystery *Death in the Clouds*, which looked wonderful but played tediously; and a super-safe 1950's musical *South Pacific*, all bought-in old footage. Only BBC 2 spent energy and money on a costly adaptation of a great Victorian classic, *Return of the Native*. No prizes for guessing which was the biggest cocoon.

Nothing went right for the protagonists in Hardy's novel; nor for the director and cast of this deeply depressing production. It was pretty clear from the start that the Starkadders of Cold Comfort Farm lived just down the lane and belonged to the same village drama class.

Accents came and went, with Catherine Zeta Jones as the catastrophic catalyst Eustacia Vye sometimes veering as far west as Ireland; facial expressions ranged from shock to horror, with Celia Imrie carrying on seamlessly from her role in *Acorn Antiques*; the plot lurched from one momentous mishap to the next, carried along by Carl Davis's decidedly tragic music. Hardy dealt in primordial forces; director Jack Gold in emotional clichés. To cap it all Exmoor, so bleak and unforgiving, was substituted for Dorset. No wonder everyone looked disorientated.

Just before midnight the two intellectual channels decided to give time to the issue which has divided the nation all year - BBC 2 waved good bye to 1995 with Blur in performance, while Channel 4 paraded Oasis, the two pop bands whose rivalry was the PR coup of the year.

Whether by happy coincidence or inspired planning, it was a more structured finale than the old movie on ITV or Angus Deayton on BBC 1, creaking through contrived spontaneity with guests like Alexei Sayle and Maureen Lipman who, judging by their bleary responses, had celebrated Christmas not wisely but too well.

Perhaps they are on the Elvis Presley...

commode, were perhaps less predictable. A sad, funny, thoughtful programme, the silver sixpence among all the duff pudding.

How was your Christmas turkey? Turgid and unending, but highly seasoned in parts and with some quite chewable trimmings? You, too, feasted on *England, My England*, the deathbed tribute to John Osborne (abetted by Charles Wood) to Henry Purcell. It was impossible to get through this strong meat at one sitting so the old boiler was preserved (on video) and consumed in dribbles over the holiday.

Of course Purcell was just a melodi-

Mary being cupped as she dies of smallpox; re-creations of Purcell's operas that suggested their initial overwhelming theatrical impact.

Under the exotic eye of director Tony Palmer we had baroque palaces and cathedral cloisters, the very essence of old England. We also had the antique glory of Robert Stephens, like Osborne, playing his final role, as John Dryden. Purcell wrote well for death so the whole programme was an extended obsequy, for English eccentrics and for England. It was a shock to see that it was part-filmed in Bulgaria; and a knock-out blow to discover that Osborne's rant from the grave should be part-funded by the EU.

Purcell is buried in the work place, in Westminster Abbey, and his sculpted memorial featured in Alan Bennett's lengthy, three part, meander around what in ecclesiastical circles is known as a "peculiar," a church outside the control of any bishop - very like Bennett, in fact. With his dubious expression and eavesdropping incline, Bennett wandered around the tombs of the national mausoleum like a clerical floor walker.

There can be no more agreeably gossipy guide as he told, sometimes with ridiculous exaggeration, stories of death and decay. He turned the Abbey into a five-star eternal hotel, old grievances quite forgotten among the gilded tombs and dynastic vaults: Queen Elizabeth lies firmly on top of her sister Mary, who thought of killing her, and within talking distance of Mary, Queen of Scots, who she, in turn, managed to kill.

The Abbey proves that time is the great healer. The programmes mended - we could have done without the choir boys and the monumental masons - but, thankfully, while Bennett lives *England can lose Osborne and Stephens* and still beat the world hands-down in loveable eccentrics.

Thankfully, while Bennett lives *England can lose Osborne and Stephens* and still beat the world hands-down in loveable eccentrics

diet. Very little on television over the holiday period commanded attention, but Arena on BBC 2 came up with a winning formula on New Year's Day when it married two great contemporary passions of our age, pop music and food.

The Burger and the King traced the life of Elvis Presley not through his songs but his stomach. This provided a more sensible guide to his career than any course in media studies. Elvis never shook off his poor white roots, or the food of his youth.

He never ate in grand restaurants or anything fancy, like fish, and usually got by on fried peanut butter and banana sandwiches - and do remember to keep them submerged in butter fat for seven minutes. The result was inevitable, although the words of Elvis's undertaker "Mr Presley underwent his terminal event while he was on the

ous excuse. As Simon Callow admitted early on, virtually nothing is known about the great composer, so it was no surprise that he turned out to be just like Osborne, fond of a drink, a back-room philosopher on the state of the nation, but a patriot and a fierce enemy of European union.

Even Osborne blanched at having Purcell strike out at the European fishing policy so, sacrificing a coherent script, he allowed Callow twin roles - as a measured, melancholic Charles II and a splenetic modern actor planning a play about Purcell.

This double dating killed the drama stone dead, the heart sinking as we shifted abruptly from spicy Carolingian politics to the banalities of the Green Room, but the extras, the bits around the bird, were excellent - the choir, filmed in shadow, singing that heavenly music: the indelible scene of Queen



Giving their best: Susannah Glanville and Alan Opie

INTERNATIONAL ARTS GUIDE

AMSTERDAM

CONCERT
Concertgebouw
Tel: 31-20-5730573
● Nancy Argenta: accompanied by pianist Kelvin Grout. The soprano performs songs by Haydn, Schubert, Chabrier, R. Strauss, Green, Porem, Ives, Musto, Hundley and Holby; 8.15pm; Jan 5
EXHIBITION
Stedelijk Museum Tel: 31-20-57329
● Emmy Andriess - fotografie: retrospective exhibition of work by the Dutch photographer Emmy Andriess (1914-1953), particularly known for the photographs she made in Amsterdam in the winter of 1944-45. The display includes fashion photographs, portraits of artists, and photographs Andriess made while travelling in Europe during the last project she worked on; to Jan 14

BERLIN

DANCE
Staatstheater unter den Linden
Tel: 49-30-2082861

● Don Quixote: a choreography by Patrice Bart after Marius Petipa to music by Ludwig Minkus, performed by the Ballett unter den Linden. Soloists include Oliver Matz and Stett Scherer; 7pm; Jan 5

OPERA & OPERETTA

● *La Bohème*: by Puccini. Conducted by Shao-Chia Li and performed by the Komische Oper. Soloists include Tatjana Kolovina, Sabine Passow, Donald George and Kasten Mewes; 7.30pm; Jan 5
THEATRE
Theater am Kurfürstendamm
Tel: 49-30-8813020
● Der Kaiser vom Alexanderplatz: by Horst Pilsau. Directed by Klaus Gendries. The cast includes Walter Pathé, Madeleine Lierk-Wien, Victoria Sturm, Alexander Wikarski and Martin Kluge; 8pm, Sun 8pm; from Jan 6 to Mar 17

BRUSSELS

CONCERT
Théâtre Royal de la Monnaie
Tel: 32-2-2291200
● Roberto Scanduzzi: accompanied by pianist Enzo Ferrari. The bass performs songs by Caldara, Gluck, Scarlatti and Martini; 8pm; Jan 5

COPENHAGEN

DANCE
Det Kongelige Teater
Tel: 45-33 14 10 02
● The Sleeping Beauty: a choreography by Helgi Tomasson after Marius Petipa to music by Tchaikovsky, performed by the Royal Danish Ballet. Soloists include Lesley Culver, Thomas Lund and

Silja Schandorf; 8pm; Jan 4

DETROIT

EXHIBITION
The Detroit Institute of Arts
Tel: 1-313-833-7963
● Romancing the American Frontier: exhibition of paintings and sculptures from the museum's collection showing the romantic vision of the American frontier. The display includes works by the American artists Albert Bierstadt, George Caleb Bingham, John Gutzon Borglum and Jervis MacEntee; from Jan 10 to Apr 7

DRESDEN

OPERA & OPERETTA
Sächsische Staatsoper Dresden
Tel: 49-351-49110
● Un Ballo in Maschera: by Verdi. Conducted by Ingo Metzmacher and performed by the Sächsische Staatsoper Dresden. Soloists include Mario Malagnini, Dimitri Kharitonov and Soja Smoljaninova; 7pm; Jan 3, 6

GENOA

DANCE
Teatro Carlo Felice
Tel: 39-10-5381226
● Carmen: a choreography by Antonio Gades to music by Bizet, performed by the Compagnia di Balletto Antonio Gades; 9pm; Jan 4, 5, 6 (4pm), 7 (3.30pm)

GLASGOW

CONCERT
Glasgow Royal Concert Hall
Tel: 44-141-3328633

● Janis Ian with Carol Laula: perform new material from Janis Ian's new album "Revenge"; 7.30pm; Jan 10

HAMBURG

CONCERT
Musikhalle Tel: 49-40-348920
● Duo-Abend: Gabriele Rossmann and Klaus Häger, accompanied by pianist Carola Theil, perform songs by Johannes Brahms; 8pm; Jan 8
OPERA & OPERETTA
Hamburgische Staatsoper
Tel: 49-40-351721
● La Traviata: by Verdi. Conducted by Michael Häfslitz and performed by the Hamburg Oper. Soloists include Maureen O'Flynn, César Hernández and Elke Wilh Schulte; 7.30pm; Jan 4, 5

HELSINKI

OPERA & OPERETTA
Opera House Tel: 358-0-403021
● Die Fledermaus: by J. Strauss. Conducted by Ari Angervo and performed by the Finnish National Opera. Soloists include Jukka Salminen, Ritva-Liisa Korhonen and Pelda Kähkönen; 7pm; Jan 4

LONDON

CONCERT
Wigmore Hall Tel: 44-171-9352141
● The Britten Songs: counter-tenor Michael Chance, tenor Adrian Thompson, bass Paul Robinson, accompanied by pianist Julius Drake, perform songs by Purcell, Britten and Wolf (8pm). In the same series soprano Joan Rodgers and pianist Malcolm Martineau perform works by Purcell. Britten,

Tchaikovsky, Mussorgsky and Shostakovich (8pm); 8pm & 8pm; Jan 6

DANCE

Royal Festival Hall
Tel: 44-171-9504242
● The Nutcracker: ballet to music by Tchaikovsky, performed by the English National Ballet; 2.30pm & 7.30pm; Jan 6
Royal Opera House - Covent Garden Tel: 44-171-3044000
● The Royal Ballet: perform two choreographies by its founder Frederick Ashton: "Les Patineurs", to music by Meyerbeer, and "Tales of Beatrix Potter" to music by John Lanchbery; 7.30pm; Jan 5, 6
OPERA & OPERETTA
London Coliseum
Tel: 44-171-8360111
● Turandot: by Puccini. Conducted by Noel Davies and performed by the English National Opera. Soloists include Janice Cairns, Edmund Barham and Janice Watson; 7.30pm; Jan 5

MUNICH

OPERA & OPERETTA
Nationaltheater
Tel: 49-89-21851920
● Hänsel und Gretel: by Humperdinck. Conducted by Heinrich Bender and performed by the Bayerische Staatsoper. Soloists include Ekkehard Wiaschinski, Marita Knobel and Silvia Fichtl; 7.30pm; Jan 5

NEW YORK

OPERA & OPERETTA
Metropolitan Opera House
Tel: 1-212-362-9000
● Die Fledermaus: by J. Strauss.

Conducted by Hermann Michael and performed by the Metropolitan Opera. Soloists include Cynthia Lawrence, Janet Williams, Jochen Kowalski, Neil Rosenheim, Thomas Allen, David Malis, François Loup and Dom DeLuise; 8pm; Jan 4, 6

PARIS

OPERA & OPERETTA
L'Opéra de Paris Bastille
Tel: 33-1 44 73 13 99
● La Bohème: by Puccini. Conducted by Louis Langrée and performed by the Opéra National de Paris. Soloists include Roberto Alagna, Franck Leguérinel, Léontina Vaduva and Jules Bashi; 7.30pm; Jan 5

STOCKHOLM

OPERA & OPERETTA
Kungliga Teatern - Royal Swedish Opera House Tel: 46-8-7914300
● Madama Butterfly: by Puccini. Conducted by Muhai Tang and performed by the Royal Opera Stockholm. Soloists include Inger Blom and Karina Moring; 7.30pm; Jan 5

TORONTO

THEATRE
Bluma Appel Theatre
Tel: 1-416-368-3110
● Later Life: by A.R. Gurney. Directed by Bob Baker. The cast includes Nicole Cavendish, Robert Haley, Stella Moore and Tom Wood; 8pm; from Jan 4 to Feb 3 (not Sun)

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صكنا عن الاصل

COMMENT & ANALYSIS



Edward Mortimer

An identity crisis

Ethnic nationalism, rather than political Islam, has become the greatest threat to the peaceful development of Turkey.

"Turkey is like Italy." That was the opening sentence of an article I wrote 16 years ago. Both countries then suffered from a permanent economic crisis, which was never quite as bad as official figures suggested: from endemic terrorism; and from chronically unstable governments. Both had sought to free themselves from backwardness through integration with Europe, and in both the results had brought disillusionment. Both seemed (I wrote) to be heading for an unspecified 'disaster' which somehow recedes before them through the fog, as if unable to assume a clearly recognisable shape. Instead, things just continue getting gradually worse.

Since then, both countries have been through upheaval. In Turkey a military coup led to a new constitution and the emergence of a new leader, Turgut Ozal, who presided over a rapid liberalisation of the economy and began a more tentative questioning of the state's underlying Atatürkist consensus. In Italy similarly radical change had to await the end of the cold war. This led to the collapse of the parties that had dominated and exploited the post-war state; an erosion of the anti-fascist consensus which had held that state together; a change in the electoral system; and the rise of Silvio Berlusconi, whose power was based on media ownership not party organisation.

Yet in both countries there are now signs of a regression to the norm. Ozal died in 1993, and Turkish politics is now again dominated by figures from the 1970s: Süleyman Demirel on the right, Bülent Ecevit on the left, Necmettin Erbakan as leader of the neo-Islamists. Berlusconi is still around, but his spell has been broken. He no longer demands immediate elections as a way of regaining power, but is trying to negotiate the kind of inter-party stitch-up that characterised the old regime.

The big difference is that

Turkish politics has become more interesting, and Italian politics less interesting, to the outside world. In the mid-1970s alarm bells rang in Washington when it seemed Italy's communists were about to achieve the *surpasso* - overtaking the Christian Democrats to become the largest party - or to negotiate their way into government through a "historic compromise". But no one worried then about Erbakan's membership of various Turkish governments. Today, few people outside Italy would worry about a victory for the post-communist left, whereas the emergence of Erbakan's Refah (welfare) party as the largest in Turkey's new parliament has provoked nail-biting in the US and western Europe.

Erbakan might not like to be called a "Euro-Islamist", since one of his objectives is to switch the emphasis of foreign policy away from Europe towards neighbouring Muslim countries in Asia and Africa. But his politics stand in roughly the same relation to those of Iranian mullahs or Algerian militants as did the "Eurocommunism" of Enrico Berlinguer, the Italian communist leader in the 1970s, to full-blooded Soviet dogma.

Erbakan insists that in government his party would be democratic and non-violent - as it has been in opposition.

Several of the Kurdish deputies are still in prison for crimes of opinion, and have taken their case to the European Court of Human Rights

He claims to want more freedom, not less. Religion should neither control the state nor be controlled by it.

One might compare these positions to the Italian communists' insistence, in the 1970s, that they would reduce the public sector, not increase it. Like them, Refah benefits from its relatively honest and efficient record in local government, and from its effective organisation and provision of social services at grassroots level in impoverished and overcrowded areas of big cities. Like them it attracts support from many people who care little for its ideology, simply because it appears the only serious alternative to the corruption and obscure inter-ethnic rivalries of the parties in power. Like them, too, it seeks to reassure by offering compromise and coalition with the parties in power rather than a clean break.

So far it has found no takers. No leader of Turkey's secular parties has tried to exploit and build on Erbakan's moderation, as the Italian Christian Democrat Aldo Moro did with Berlinguer, drawing him into the system and getting him to share responsibility for unpopular decisions. Instead the secular parties are closing ranks to keep Erbakan out - a tactic which will almost certainly benefit him.

Meanwhile, Turkey's real problems will almost certainly continue to get worse. Even if the promised coalition of the two conservative parties is formed, it will have great difficulty in taking any bold economic decisions, especially those which involve reduction of the bloated and inefficient public sector. Such decisions involving the loss of jobs would not only help Erbakan win new supporters but would be opposed by the two left-wing parties, at least one of which will be needed to give the new government a parliamentary majority.

Perhaps even more seriously, a weak and divided gov-

ernment is unlikely to take the bold decisions required to end the war in the south-east, by giving Kurds a real possibility of expressing their national identity within the Turkish political system. In the last parliament Tansu Çiller, the prime minister, succeeded in distracting attention from her economic failures by mobilising public opinion against the "terrorism" of the Kurdistan Workers' Party (PKK), and in particular by lifting the parliamentary immunity of Kurdish deputies who were accused of acting as PKK spokesmen. She also put pressure on west European governments to close down Med-TV, the Kurdish satellite television station, which broadcasts from abroad.

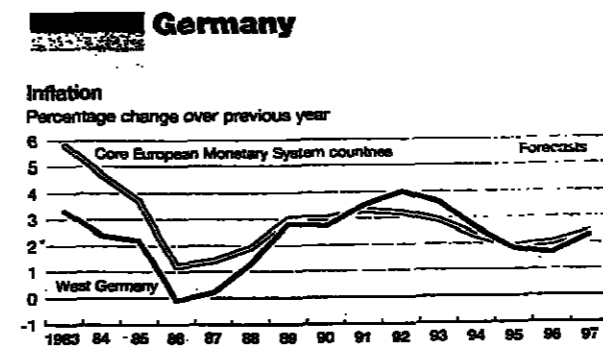
Happily this pressure has so far been unsuccessful, but several west European banks, legal firms and other companies have refused to work with Med-TV, apparently for fear of alienating the Turkish authorities. Several of the Kurdish deputies are still in prison for crimes of opinion, and have taken their case to the European Court of Human Rights. In the new parliament Kurdish nationalists have been excluded altogether, even though they won the largest number of votes in four south-eastern provinces, because their party fell short of the 10 per cent threshold.

This hardly bodes well for civil peace. The great risk is that ethnic conflict will spread to the big cities of western Turkey. There is no way that Kurds and Turks could be separated physically, except by violence on a Yugoslav scale. That is the direction in which rival nationalisms are now pointing. As the historian David McDowall suggests, in a study to be published this month, the two peoples' best hope of avoiding this nightmare lies in a redefinition of both national identities, giving due weight to their common Islamic heritage.

A Modern History of the Kurds, I.B. Tauris, £24.50

The difficult balancing act

The German economy is unlikely to come storming back this year, forecasts Klaus Friedrich



Percentage change, 1991 prices	1994	1995	1996
GDP	2.9	1.8	2.0
GDP (west)	2.4	1.4	1.7
GDP (east)	-8.5	4.0	5.0
Private consumption	0.9	1.3	2.4
Government spending	1.2	1.9	1.0
Machinery/equipment	-1.2	1.3	2.4
Construction	7.9	0.9	0.7
Exports	7.5	2.8	3.4
Imports	7.1	2.3	3.7

with disappointing west German growth of 1.4 per cent.

In contrast to the usual model, in which exports lead German cyclical upswings, the bets this time are on domestic private consumption spending. Thanks mainly to a Constitutional Court decision raising the tax-exempt income limit, real disposable income will increase by 3 per cent this year. This assumes that no new taxes will be added.

Exports, the traditional engine of German economic growth, are losing power. They are simply becoming too expensive. High labour costs remain competitive only as long as relative productivity remains high. Other countries are catching up in terms of productivity while their labour costs remain lower. This question of German competitiveness is further highlighted by the upward drift of the D-Mark.

The worldwide decline in inflation tends to work against

usually caused by Europhobia these days, leaves the D-Mark higher after the smoke clears. Further such episodes would follow if the preparations for Emu were to be thrown off track, a major risk for the German economy.

Yet for all the noise and scepticism in the media, the markets expect Emu. How else could a big strike in France - a clear political challenge to the French government - remain all but ignored by currency speculators?

But the question of jobs and income security raised in the French strike is a valid European concern. It was also recently addressed by a German union leader in an offer to trade wage moderation for additional jobs. Europe has only 3 per cent inflation but nearly 20m unemployed. Yet virtually the entire European debate is focused on price stability - even though we already have it.

Low inflation is not a cyclical, European phenomenon, but structural and worldwide, resulting from globalisation, liberalisation and increased competition.

Does this mean that we can throw caution to the wind and ignore the Maastricht fiscal criteria? Certainly not.

What we should do, however, is employ fiscal retrenchment with an eye on incentive-creating tax reform. The ever-increasing share of the public sector in our economy has crowded out the market and makes it difficult to respond to the problem of unemployment.

The German system of wage determination has to be decentralised as much as possible, but action so far has been half-hearted. Labour arrangements should be flexible enough to allow optimal use of the capital stock.

The most obviously under-used capital stock in Germany is its retail shops. Their business hours are substantially limited by a law, which was originally intended to protect employees against abuses. A recent study shows that abolition of the law would create many new jobs. The government has moved to extend opening hours under the law, but shied away from abolition.

This sort of compromise shows that structural reform is not yet recognised as our only remaining policy option.

The author is chief economist of Dresdner Bank

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). e-mail: letters.editor@ft.com Translation may be available for letters written in the main international languages.

Doubts over Emu reflected in Waigel comments

From Mr Peter Frankel.
Sir, The statement by Mr Theo Waigel, the German finance minister, that any member not meeting fiscal targets once they have joined the monetary union could be ousted, is a distortion of reality ("Waigel issues strict line on Emu discipline", December 30/31). So is the reason for the statement that the D-Mark would not be weakened by the creation of the economic union which must precede the single currency.

Those who believe that the D-Mark would diminish in strength if it joins with other

currencies in a monetary union followed by a single currency are, of course, absolutely correct. Holders of D-Marks will be poorer in real terms when they have been forced to accept Euros in exchange for their currency because of the mixture with weaker currencies even under the joining conditions. Could this be the reason for the reported transfers of billions of D-Marks to Switzerland and other safe havens?

Under the Maastricht treaty those who have been accepted must deliver their foreign currency reserves to the Central Bank in Frankfurt. Therefore, they will be unable to formulate their own fiscal policies. The blame for any failure would rest on the non-elected members of the Central Bank board. On these grounds alone Mr Waigel's threat is quite ludicrous.

How does he imagine, even if he were right, that he could oust any member country from an economic union? The Maastricht treaty does not allow it and his sudden discovery of principles of international law would not be applicable. Or does Mr Waigel perhaps want to invoke the

German Constitutional Court decision of October 1993 which virtually gives Germany an opt out? The secrecy surrounding this is quite remarkable.

Mr Waigel's outburst is just further evidence of the growing doubts everywhere of the whole Emu concept. The quicker it is set aside and forgotten the better it will be for the close working relationship between European independent nations.

Peter Frankel, "Elmstead", Chapel Road, Limsfield Common, Surrey RH8 0SX, UK

Political point

From Prof Asim Erdilek.
Sir, In your December 26 editorial "Bleak outlook for Turkey", assessing the results of the December 24 parliamentary election, you missed an important point. Turkish voters punished, with smaller shares of the total vote since the 1981 election, all three parties - the True Path Party, the Motherland Party on the right, and the Republican People's party on the left - responsible for the country's economic mess since the late 1980s, and rewarded, with larger shares, the Welfare party on the right and the Democratic Left party on the left, untested with that mess.

Who can blame the voters for that?

Asim Erdilek, professor and chairman department of economics, Weatherhead School of Management, Case Western Reserve University, Cleveland, OH 44106-7206 US

Trivial pursuits on regulated Internet

From Dr R.J. Bird.
Sir, The news that CompuServe has suspended access to 200 Internet news groups ("Internet groups suspended over pornography fears", December 29), coupled with the moves in the US Congress to impose restrictions on the Internet, the aim of which is to limit the use of the Internet for communicating information. So far the Internet has provided a powerful means of communication of information and as such represents one of the few truly global unifying influences as well as an unprecedented advance in academic communication and discussion. However, the implication of these moves is that both these roles may soon be curtailed.

Significantly, the reasons given in both cases for limiting Internet use are centred around child pornography. It is apparent that the approach which is most likely to succeed

in limiting activities for whatever purpose is one based on the current bogymen; in this case child pornography, though evidence is lacking that material on the Internet has played any part in criminal behaviour, recently discussed cases being very much to the point. In the US the aim of Congress legislation would be to prevent the use of the Internet for any material which might offend a child, which would include any material incomprehensible to a child. The effect would be to prevent all but trivial information from being passed between people over the Internet.

The question then arises of what purpose a censored and regulated Internet might serve. It would be unsuitable for academic interchange or for free communication between citizens, but would be suitable for commercial exploitation especially by advertising, for which ironically young people

and children would be an especial target.

If we consider the history of television we can see that it is increasingly sustained by commercial means and at the same time has become ever less suitable as a medium for the communication of information. If the same fate is not to overtake the Internet we must keep clearly in mind the function of information as a public good in society and the equally important and deleterious effects of the disabling of a potential information medium. It will then be clearly apparent that the interests which will be served by the moves to limit freedom of information on the Internet currently being initiated are those of commercial gain and not the social good.

R.J. Bird, 50 Highbury, Jesmond, Newcastle upon Tyne, UK

UK taxpayer will end up funding profitable rail services

From Mr Bill Bradshaw.
Sir, Lex states ("UK rail privatisation", December 21) that UK rail privatisation will mean lower subsidies. This comment is no doubt based on press releases from the franchise director and ministerial statements. But the figures do not reflect the facts. In the last year (1993/94) that BR was responsible for the three services which have just

been franchised these were almost certainly operated without public subsidy and probably made a useful profit.

It is difficult to be precise because the BR accounts do not divide InterCity or the former Network Southeast into individual service groups but it is well known among railway commentators that South West Trains, LTS and Great Western were good performers and that

taken as a whole, neither BR's InterCity nor Network Southeast services received revenue subsidies in that year.

It is almost certain that not only are the three franchisees going to be paid £140m in the first year of operation to provide services which were previously provided without cost to the taxpayer but that any advantages which the new owners may bring by way of

investment could just as well have been funded from the huge legal and other costs arising from this most complicated privatisation.

Bill Bradshaw, senior visiting research fellow, Centre for Socio-Legal Studies, University of Oxford, Wolfson College, Linton Road, Oxford OX2 6UD, UK

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TENDER NOTICE

UK GOVERNMENT ECU TREASURY BILLS

For tender on 9 January 1996

1. The Bank of England announces the issue by Her Majesty's Treasury of ECU 1,000 million nominal of UK Government ECU Treasury Bills, for tender on a bid-yield basis on Tuesday, 9 January 1996. An amount of ECU 50 million nominal of Bills will be allotted directly to the Bank of England for the account of the Exchange Equalisation Account.
2. The ECU 1,000 million of Bills to be issued by tender will be dated 11 January 1996 and will be in the following maturities:
ECU 200 million for maturity on 15 February 1996
ECU 500 million for maturity on 11 April 1996
ECU 300 million for maturity on 11 July 1996
3. All tenders must be made on the printed application forms available on request from the Bank of England. Completed application forms must be lodged, by hand, at the Bank of England, Customs Settlement Services (formerly Securities Office), Threadneedle Street, London not later than 10.30 a.m., London time, on Tuesday, 9 January 1996. Payment for Bills allotted will be due on Thursday, 11 January 1996.
4. Each tender at each yield for each maturity must be made on a separate application form for a minimum of ECU 500,000 nominal. Tenders above this minimum must be in multiples of ECU 100,000 nominal.
5. Tenders must be made on a yield basis (calculated on the basis of the actual number of days to maturity and a year of 360 days) rounded to two decimal places. Each application form must state the maturity date of the Bills for which application is made, the yield bid and the amount tendered.
6. Notification will be despatched on the day of the tender to applicants whose tenders have been accepted in whole or in part. For applicants who have requested credit of Bills in global form to their account with ESC, Euroclear or CEDEL, Bills will be credited in the relevant systems against payment. For applicants who have requested definitive Bills, Bills will be available for collection at Customer Settlement Services, Bank of England after 1.30 p.m. on Thursday, 11 January 1996 provided cleared funds have been credited to the Bank of England's ECU Treasury Bills Account No. 59000516 with Lloyds Bank Plc, Bank Relations, St George's House, PO Box 787, 6-8 Eastcheap, London EC3M 1LL. Definitive Bills will be available in amounts of ECU 10,000, ECU 50,000, ECU 100,000, ECU 500,000, ECU 1,000,000, ECU 5,000,000 and ECU 10,000,000 nominal.
7. Her Majesty's Treasury reserves the right to reject any or part of any tender.
8. The arrangements for the tender are set out in more detail in the Information Memorandum on the UK Government ECU Treasury Bill programme issued by the Bank of England on behalf of Her Majesty's Treasury on 28 March 1989, and in supplements to the Information Memorandum. All tenders will be subject to the provisions of the Information Memorandum (as supplemented) and to the provisions of this notice.
9. The ECU 50 million of Bills to be allotted directly to the Bank of England for the account of the Exchange Equalisation Account will be for maturity on 11 July 1996. These Bills may be made available through sale and repurchase transactions to the market makers listed in the Information Memorandum (as supplemented) in order to facilitate settlement.
10. Copies of the Information Memorandum (and supplements to it) may be obtained at the Bank of England. UK Government ECU Treasury Bills are issued under the Treasury Bills Act 1877, the National Loans Act 1968 and the Treasury Bills Regulations 1968 as amended.

Bank of England
2 January 1996

FINANCIAL TIMES

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Wednesday January 3 1996

The agenda for world trade

There are few more striking measures of the pace of global economic integration than the buoyancy of world trade. The World Trade Organisation estimates that export volumes grew 8 per cent last year, after a 9.5 per cent rise in 1994. That was three times faster than economic output. Sustained since the mid-1980s, this ratio is wider than in any decade in the past half century.

The rapid growth of trade, and the keener competition it promotes, is to be celebrated. It adds to prosperity by stimulating efficient and productive use of resources. It also underpins international security: when goods cross borders, troops are less likely to. But most encouraging of all is what recent trends say about government attitudes.

Despite a recession in the industrialised world in the early 1990s, trade continued to increase and markets remained open. Equally important is the sea-change in poorer countries, notably in Asia and Latin America. After years of sheltering their economies, many are now intent on liberalisation.

What, now, should be the priorities for trade policy? The most pressing is to ensure that liberalisation maximises export economic welfare. Some believe regional arrangements are the way forward. Yet that faith seems unjustified by the record of such ventures as the Asia Pacific Economic Co-operation forum and the western hemispheric trade scheme.

Realistic timetable

Sensibly handled, regionalism may complement multilateralism. But it is no alternative. An increasingly close-knit global economy needs global rules. These can be developed and enforced effectively only by strengthening the WTO. That endeavour, however, needs to take account of important new challenges facing the multilateral system.

One is the need speedily to integrate China. That undertaking

will require far greater acceptance by Beijing of external policy disciplines, and a realistic timetable for adjusting to them. Getting the terms right is vital to the success of China's reforms and global economic stability.

The second big challenge is to fill the vacuum created by the - probably unavoidable - decline of US leadership of the world trade system. Failure clearly to re-define US trade policy has left it wavering unpredictably between aggressive bilateralism and multilateralism.

Economic enemies
As a superpower, the US needs to recognise that it benefits from strong global rules, and that treating political allies - such as Japan - as economic enemies damages its own interests. But if other governments want the US to re-engage in the multilateral system, then at the same time they must also become more active in upholding its principles.

The EU set an encouraging example last year by rescuing the WTO financial services talks and condemning US tactics in the Japan cars dispute. But Europe's free trade credentials will remain shaky while its car market is still protected, its farm trade policy grotesquely distortionary and much of its utilities sector closed to competition.

Japan and other advanced Asian economies, such as Korea, which have long pursued export economic policies, also need to open their own markets more boldly. As well as removing remaining border barriers, they should concentrate on regulatory obstacles to free competition, particularly in services. Such reforms are, in any case, essential to continued competitiveness and growth.

The importance of these challenges is thrown into sharper relief by the WTO's first ministerial conference in December, which will play a critical role in entrenching the new institution's authority and setting an agenda for further liberalisation.

More than ever before, that task - and the maintenance of the multilateral system - requires a truly collective effort. It is in the interest of every WTO member to make the necessary commitment.

A European equity market

Despite a difficult and protracted birth, the European Union's investment services directive which took effect yesterday, promises to bring about a significant measure of liberalisation across European markets. That is certainly true of the proposals permitting "remote access" trading, whereby securities firms can operate away from home through screen-based dealing systems without having to establish a presence on the ground in the host country.

The reform is an important step towards the integration of the European equity market. But it also raises difficult questions for established exchanges.

Much of the argument for liberalising the London Stock Exchange at the time of the Big Bang in 1986 rested on the need to avoid fragmentation in equity trading. Yet the growth of cross-border business, together with the arrival of alternative dealing technologies, has made fragmentation a fact of life. The precise whereabouts of the market is increasingly difficult to identify. But with sophisticated technology, the integrity of prices is not necessarily impaired provided there is transparency. As long as people have constant access to a continuously updated reference price for securities given security liquidity remains available even if there is no identifiable central market.

Legend underlined
The fragmentation really has any bearing today, it is more to do with the vulnerability of institutions than any threat to the price. The market is where the price is made. London's Big Bang was a loss of market share was during the 1980s. The latest European change merely underlines a trend in local markets, while the marketmaking Staatsoper in London.

BER business to originate in local markets, while the marketmaking Staatsoper in London.

Seqq International's loss is any way not a direct loss to London. The business will still be carried out by dealers in the City, although it will be booked and supervised through a system carrying another national label. Yet the growth in cross-border competition could pose a threat to London's competitive edge in future.

Benefits eroded
One of the reasons traditionally advanced to explain market practitioners' habit of clustering together in large financial centres was that close proximity permitted a more speedy dissemination of information and reduction of risk. With today's globe-shrinking technology and low dealing costs available 24 hours a day, this looks more dubious. The benefits of incumbency - being in the pole position - may have eroded.

That said, skills remain a vital determinant of how financial services activity is distributed across the European time zone. The 600,000 pool of people working in financial and business services in greater London is the same as the whole population of Frankfurt. Financial skills are acknowledged to be in shorter supply in Paris than London.

Complacency is a serious risk for London, with its numerous natural advantages including benign politics, Covent Garden and the English language. Any serious loss of competitive edge would break the virtuous circle whereby concentration of business in one centre provides a continuing incentive for investment in infrastructure. Yet the City itself is not standing still. Yesterday saw the gilt market move closer to the international dealing norm, with the introduction of a repo market. The settlement system in equities is at last being upgraded.

The threat stems rather from the politicians. Excessive regulation, perhaps arising from lack of vigilance by the UK in Brussels, or tax changes that alienate foreign investors, could quickly put London out of the game. It should not be forgotten that the City's postwar role in international finance grew not from native economic strength, but from over-regulation in New York and Tokyo.

Stalled at the new frontier

Foreign investors are frustrated at the contradictory political forces that are blocking progress in Vietnam, says Kieran Cooke

When Vietnam accelerated its *doi moi* or economic "reformation" policy in the early 1990s, foreigners rushed to seize opportunities in what was seen as Asia's most promising new investment frontier. But the early euphoria has disappeared. Many have been left peering into the dust cloud of the foreign stampede, wondering when they will see returns on their investments. A shake-out is coming.

"Many foreigners had unrealistic expectations about Vietnam," says Mr Jurg Vonobel, Vietnam manager of ING Bank of the Netherlands. "In the banking sector more than 50 foreign banks have been given licenses to open some form of operation here when there is business to support only about 15 financial institutions. It's likely many will be leaving soon."

A number of highly publicised withdrawals last year dented Vietnam's image as a foreign investment El Dorado. Total of France abandoned a \$1.2bn refinery project over arguments with the government about the siting of the facility. The Australian unit of the P&O group withdrew from a port project in Ho Chi Minh City, the former Saigon, after negotiations became deadlocked for nearly a year. Other investors in smaller projects have packed their bags, frustrated at bureaucratic delays and often contradictory government edicts.

Official figures on inward investment are impressive. According to the State Committee for Co-operation and Investment, more than \$17bn of foreign investment has been approved in nearly 1,500 projects over the past six years. There is, however, a glaring gap between approval and implementation: it is estimated that only about 20 per cent of the projects have been started.

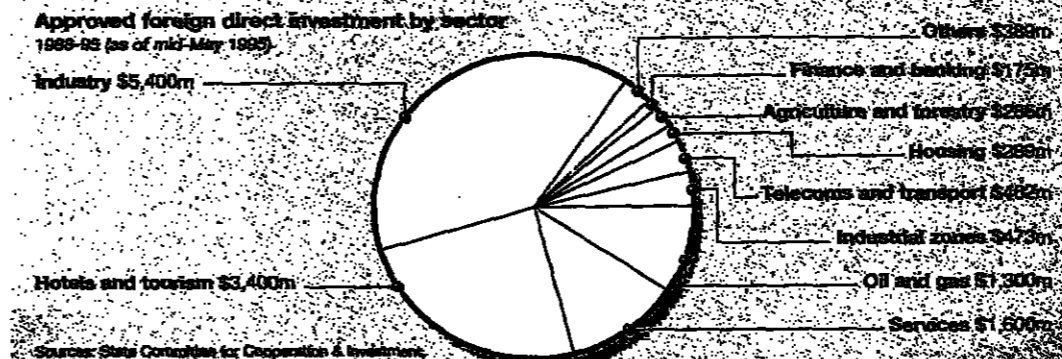
Much of the investment so far has concentrated on the hotels and office property sectors, catering mainly to foreign business people. "There are a lot of foreign companies here with very little to do," says a Hanoi-based foreign executive. "They are paying office rents higher than London or Paris. People back at headquarters are beginning to ask when the pay-off for all this is going to come."

Analysts of Vietnam's recent economic development see contradictory forces at work. In some respects the country has raced to embrace the market economy with a speed and zeal rarely seen in other parts of the world. Billboards advertising western products are everywhere. Capitalism is raw, alive and well on the streets of Ho Chi Minh City and Hanoi.

Yet at the same time some senior figures in the ruling Communist party, backed up by officials in the powerful bureaucracy, remain deeply suspicious of outside influences and seek to perpetuate a system of state control.

Free-marketisers have applauded as import barriers have been lowered and competition has been thrown open in several areas. In the automobile sector 11 foreign car companies have been granted manufacturing licences. But the average annual per capita income in Vietnam is still only just over \$200, one of the lowest figures in the world. In 1994 fewer than 5,000 cars were sold in the country. The four car manufacturers already in production have difficulty selling their output and there is certain to be plenty of financial pain before

Vietnam: sea-change for foreign investment



any company in the vehicle sector makes a substantial profit. Sanofi, the French pharmaceuticals company, has invested \$9m in a manufacturing facility outside Ho Chi Minh City - the first such plant since the reunification of Vietnam in the mid-1970s. Now it finds its domestically produced goods undercut by cheap imports. Mr Patrice Descorps, Sanofi's Vietnam manager, says the country has moved from one extreme to another. "Three years ago no one expected such a dramatic change. Then there were strict price and import controls. Now there are no import restrictions, no price controls, no regulations. It is a complete free-for-all, like nowhere else in the world." Mr Descorps hopes the authorities will eventually realise there must be some form of control if the domestic pharmaceutical industry is to survive. Foreign investors are not the only

ones being hurt by this mayhem in the marketplace. Mrs Nguyen Thi Mai Thanh runs the Ree company, which specialises in the installation of refrigeration equipment and electrical contracting. In late 1993 Ree became the first company in Vietnam to offer a minority stake to outside investors in a process the government, anxious not to offend Marxist principles, coyly describes as "equitisation" rather than privatisation. The company is now considering a \$15m joint-venture manufacturing project with Carrier of the US to make air conditioners. "We need protection to grow but the government has already granted licences to two other manufacturers," says Mrs Thanh. "Domestic companies have other problems. Our margins are very low. We have a big problem with bad debts. Borrowing charges are high. It is even harder for us than for the foreign firms."

Yet while there is a rush to the open market and competition in some sectors, the bulk of the economy still remains within state control. Only three of an estimated 6,000 public concerns have so far been sold. Many of the state's domestic banks, which dominate the financial sector, have not been adequately audited for years but are known to have accumulated bad debts and are unable to harness funds for development. The formation of a proper capital market is still some way off: a stock exchange is unlikely to be opened before the end of next year.

"Vietnam has a serious case of indigestion," says one foreign fund manager. "There is about \$400m in foreign funds, plus several hundred million in various private ventures, ready for investing in the country. But it can't be absorbed. The system is just not ready for it."

Mr Vo Van Kiet, prime minister, is determined to speed up the reforms. "Our capital markets are still too primitive," Mr Kiet told the National Assembly in October. "We have been too slow in the equitisation of state companies as well as in the establishment of a stock market. To perpetuate this situation is to perpetuate the backward and ineffective nature of the economy."

In an effort to shake up the administration, Mr Kiet also managed to push through a wholesale reorganisation and streamlining of the government, amalgamating ministries and reducing the number of cabinet ministers.

Some of the red tape surrounding the investment process is likely to disappear with the merging of the state investment committee, hitherto the main body overseeing foreign investment procedures, into a new Ministry of Planning and Investment. However, for all his reformist zeal, Mr Kiet cannot hand down edicts in the same way as Mr Lee Kuan Yew of Singapore or Malaysia's Dr Mahathir Mohamad.

Not only does Mr Kiet have to appease numerous groups - from powerful local People's Committees and Veterans' Associations to cyclo-drivers co-operatives and squatter groups - he also has to abide by the strictures of the Communist party, still the dominant political force in the country.

In the run-up to a Communist party congress likely to be held in the middle of next year, observers see a tussle between the reformers and conservatives within the party. An intense debate is under way about the scope of the reform process. Many in the secretive higher echelons of the party are thought to want a more cautious approach.

Mr Do Duy Tung, a senior politburo member, says Vietnam has bypassed capitalism. He talks of an economy driven by state-regulated market mechanisms. "We have to know how to apply the capitalist forms and approaches and make use of capitalist economics in the form of state capitalism in order to build socialism." A plethora of new laws has been passed in recent years. Some are designed to ease the way for foreign and domestic investment in the economy. But others act as a disincentive and are seen as evidence of the influence of strongly conservative elements within government. A law promulgated in 1995 declared all land the property of the state. Although reformers have tried to soften the impact of the legislation, the law, if strictly applied, means land cannot be used as collateral for loans or to establish any clear title to property - a big handicap for both foreign and local investors. The government's defenders point to the considerable progress of recent years. Parts of the country are being transformed after years of war and internal division. The economy grew in 1994 by 8.5 per cent and is expected to have expanded by about 9 per cent in 1995. Vietnam's 72m people are resourceful and hard-working, with a relatively high standard of education. But long-time observers of Vietnam feel that as long as the conflict between state control and the forces of the open market remains unresolved, confusion will continue. *Doi moi*, first announced in 1986, was hailed as a great victory for the reformists. But the battle continues. Its outcome will determine whether investors stay - or leave in search of another new frontier.

OBSERVER

Striking it lucky

■ A small coup for China Communications, the public relations company founded by Sir Tim Bell, erstwhile PR consultant to Mrs Thatcher. It has landed the redoubtable Sir David Hannay, lately Her Majesty's ambassador at the UN, as a non-executive director.

Sir David is the quintessential British mandarin, who in his penultimate posting in Brussels was known (not always behind his back) as Sir Humphrey, because of the striking similarity in his manner of speech to the television star of *Yes Minister*.

But as well as being a high-flying diplomat, China's new acquisition has plenty of hands-on media experience. On arrival in New York, Sir David became a TV star in his own right. As the Gulf war broke around him, he was "discovered" by the US networks as a natural communicator - succinct and sometimes startlingly direct. His success with the media was such that it even caused the occasional trispart in relations with his US counterparts. His diplomatic UN experience should come in useful for Sir Tim, who last year flirted briefly with the idea of improving the image of the unlovely Nigerian government, before it executed Ken Saro-Wiwa. "His guidance and counsel would

be particularly helpful in a case like that," says Peter Ruttinger, managing director of China.

But Sir David's real strength lies in an unrivalled knowledge of the European Union. He knows better than any where the bodies are buried. So who will bid next for his whispered advice?

Remote control

■ So has the world utterly misunderstood Vladimir Zhirinovskiy, the ultra-nationalist politician who believes Russian troops will one day wash their boots in the Indian Ocean and recapture Alaska? According to his wife, the politician labelled "Mad Vlad" by the world's media is a gentle soul who frequently gives her roses, likes watching *Down Lake* at the ballet, and asks permission whenever he wants to change television channels. He is "very quiet and peaceful", she confided in Helsinki yesterday.

Then again, it appears that living with Zhirinovskiy for 25 years may have coloured her own perspective on the world. Yesterday she agreed with her husband's views that Baltic nationalists should get in their boots and start rowing if he becomes president in June. "Everyone in Russia wants the Baltic states returned," she asserted. Well, not quite. There are Russians plenty who think that Stalin's invasion of Lithuania, Latvia and Estonia in 1940 and the

subsequent deportation of thousands to Siberia is a practice best not repeated.

Wedding bath

■ A Taiwan couple have chosen an unlikely spot for their wedding ceremony. They have spent \$1m building a luxurious public bathroom in a park in central Taiwan, according to a local newspaper. They have also persuaded another five couples to get married at the same time in a bid to set a world record for a mass bathroom wedding. The groom and bride, Lee Wang-feng and Chiu Chia-kwei, said they wanted to marry in a bathroom because it is a room everyone visits often. However, they did not disclose whether they would change out of their birthday suits after their wedding shower.

Signal failure

■ One of the perks of rising to director-general level within the European Commission is that you get to choose the nationality of your driver. Whether or not you can state a preference for the chauffeur's sex is less clear - but in practice, the bigwig's drivers are all male. Indeed, there isn't a single woman at the wheel of a European bureaucrat's car (in a paid capacity) - a matter that is

currently exercising Sue Weddington, a Labour Euro-MP who sits on the European Parliament's all-party committee on women's rights. She has written to the Commission asking what steps are being taken to "remove this injustice". The Commission's very own Equal Opportunities Unit admits there is still "a long way to go" in achieving equality. "Women are still confined to subordinate positions and the closer they come to decision-making levels the fewer they are in number," it says. In other words, decisions about whether to jump a red light are still in the hands of men.

Whipped in shape

■ What did Anna Pavlova, Russia's most celebrated ballerina, say on her death bed? According to legend the last command of Pavlova, the most famous of all ballet's dying swans, was to "prepare my swan costume". However, nearly 65 years after her lonely death in a Dutch hotel room, Jean Thomassen, a Dutch painter and Pavlova fanatic, has come up with a revised version. In a new book he notes that Pavlova asked her private maid Marguerite to bring her the designer dress she had recently bought in Paris so that she could send it back for a refund and use the money for one of her orphanages. Now we know why they named a sweet after her.

Financial Times

100 years ago

The defeat of Jameson. A most painful feeling will be crossed throughout the country by the news that the force led by Dr. Jameson into the Transvaal has not only been met by the Boers in serious conflict, but has been so conclusively defeated that it has been compelled after hard fighting to surrender. The loss of life that has resulted from this most expedition has yet to be fully ascertained, but at an early stage of the fight the Boers are stated to have had 22 wounded prisoners including three officers and to have buried five of the dead enemy. So ended this deplorable attack, which had been so ambitiously undertaken. It was the latest development of the land-grabbing craze that has for years possessed the South African Colonists.

50 years ago

Irawaddy Flotilla. The Irawaddy Flotilla Company announces that an agreement has been reached whereby the undertaking will be employed as agents for the Government of Burma to operate inland water transport services in Burma. The company will receive hire for the use of its craft and properties and remuneration for managing and operating these assets and those provided by the Government on terms which the directors consider satisfactory.

صكنا عن الوطن



Threat to government as majority dwindles Ulster party may oppose UK Tories on key votes

By George Parker in London and John Murray Brown in Dublin

Britain's Conservative government last night faced an uncertain new year, after the Ulster Unionists warned they might oppose it on key votes.

The parliamentary majority of the prime minister, Mr John Major, is down to five, and the opposition Labour party yesterday promised "a lively time" for the government.

Mr John Taylor, deputy leader of the Ulster Unionist party, suggested Mr Major might secure the support of the UUP if he entered into a formal coalition.

Without such a deal, the prime minister could face possible defeat on a range of sensitive issues, from Europe to Labour amendments to the Finance Bill calling for a cut in value-added tax on fuel.

Speaking on an Irish radio, Mr Taylor said a coalition could be "an ideal answer" to the stalemate in the Ulster peace process

because "it would give responsibility within the government to people who are answerable to the electorate in Northern Ireland".

He added: "We will not be automatically supporting the government. Each issue will be decided on its merits and we could easily find ourselves in a position where we would be supporting a vote of no confidence in the government."

But senior Tory officials made clear last night they had no intention of entering into a formal deal with the UUP, which would be viewed with anger by the nationalist community in Northern Ireland.

Mr Major will rely increasingly on the support of the nine Ulster Unionist MPs in 1996. His majority will shrink to three in the spring if the Tories lose two pending by-elections, and even that majority relies on the support of the Eurosceptic MP Sir Richard Body, who has resigned his commitment to vote with the government.

The government's hopes of a revival in 1996 were dealt a severe blow on Friday by the defection to the Liberal Democrats of Miss Emma Nicholson, MP for West Devon and Torridge, who said yesterday that she might resign and force a by-election if her constituents wanted one.

Although the Lib Dems might expect to win the seat comfortably, senior party figures hurriedly made plain they had no desire to see such contest.

Amid fresh doubts about the future of Mr Major's government, concern is growing in Dublin and London at the series of murders of Roman Catholics.

Police believe they represent an attempt by the IRA to reassert control in nationalist communities. Sinn Féin yesterday refused to condemn the shooting of a Catholic man in Lurgan on Monday - the fifth killing in recent weeks of alleged drug dealers.

Observer, Page 9

Bosnian Serbs are accused of abducting 16 civilians

By Laura Silber in Belgrade

The Bosnian government yesterday accused Bosnian Serbs of abducting 16 civilians, giving the Nato-led force its first real challenge in enforcing the ambitious peace accord.

The people were detained over the past week while driving through Ilidza, a Serb-held suburb of Sarajevo, using a route newly opened under the Dayton agreement, according to a statement from the Muslim-led government.

Mr Hasan Muratovic, a government minister, said the civilians were pulled out of their cars. In a formal protest letter to Admiral Leighton Smith, Nato commander in Bosnia, he asked the international force (Ifor) to end what he called "Serb terrorism".

Nato officials yesterday said they could not confirm reports of the kidnappings and suggested that it was a police matter.

UN officials dismissed what they called "Nato attempts to pass the buck". "The freedom of movement across former front lines is the key part of the Ifor mandate," said one official in Sarajevo. "If Ifor wants to succeed on this very difficult issue, they have to get their act together really fast."

A Serb official said "terrorists who had been sent to destabilise Ilidza before the handover" had been arrested. Under the Dayton agreement, Ilidza is one of several Serb-held regions due to be turned over to Bosnian government control.

The official said 10 Muslims and two Serbs had been arrested crossing into Hadzici and Ilidza, Serb-held suburbs of Sarajevo. Nine of the people were detained on December 23 and on Monday another three, who the official claimed were members of the 131 Bosnian light infantry brigade, were held.

He accused the Bosnian government of sending infiltrators into Serb-held lands in order to spread an atmosphere of panic before the handover of the region to Muslim control.

"These were not abductions but arrests of Muslims entering the area illegally... in state-sponsored terrorism," the official added.

The incident drives home the challenges Ifor will face even when the guns have fallen silent in Bosnia.

THE LEX COLUMN

Healthy incentive

International investors have not had to wait long for the year's first substantial takeover bid. Those offered SKR10.3bn (\$1.7bn) for their 58 per cent holding in Swedish medical group Gambro must be tempted to carry right on with their New Year celebrations: at SKR155 a share, the offer has been pitched at a 20 per cent premium to a price already buoyed by takeover speculation. Incentive, the holding company of Sweden's Wallenberg family, is bidding 19 times forecast 1996 earnings for Gambro even though it already has a voting majority.

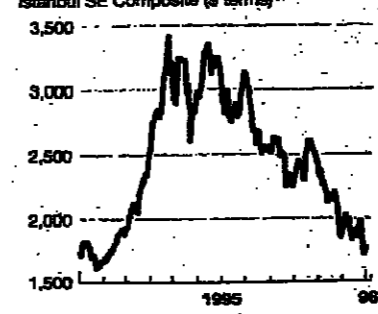
As a world leader in kidney dialysis equipment, Gambro is an attractive catch. It has increased profits by a 20 per cent a year for the past decade from a broad international base. Still, paying a price that - by its own admission - will dilute incentive's earnings per share by almost 20 per cent this year seems hard to justify.

After 75 years in business, however, the Wallenbergs are probably sanguine about the short-term impact. The Gambro deal will accomplish two things: it will bring further expansion in high-tech industries and outside Sweden, where the family controls or influences 40 per cent of companies listed on the Stockholm stock exchange. And it will transform incentive into a real industrial company. To date, it has been seen as a warehouse for the family's second-line assets and been rated accordingly - currently it trades on just six times earnings. If that perception can be altered, the price paid for Gambro will be well worth it.

FT-SE Eurotrack 200: 1610.5 (-9.9)

Turkey

Istanbul SE Composite (8 term)



Source: FT Edit

decide whether to change to repos for its money market operations. But, if a liquid repo market is established, the momentum to shift will become almost irresistible. It may take some time for liquidity to develop: critical mass probably means a market of \$20bn-30bn. But a liquid repo market, used by a much larger number of financial institutions, would allow the Bank to influence the behaviour of a broader range of market participants, and make the market more difficult to manipulate. Furthermore, the Bank could well find it had greater scope for easing or tightening monetary policy without moving official rates. And its intentions would be simpler to read than under the current overcomplicated system.

Forte/Granada

since then, inflation is still over 80 per cent. And the government's finances are in a mess, forcing short-term interest rates above 200 per cent.

With rates so high, it is not surprising that Turkish equities look cheap, trading at less than six times average earnings. It would, though, be a brave investor who bought shares now. For one thing, customs union with the EU will expose many Turkish companies to tough competition. For another, inflation and interest rates are likely to remain high, and the currency weak, until the government administers a genuine radical pruning of the country's sprawling public sector. In the wake of the elections, this looks as distant as ever.

Forte yesterday went all-out to buy the loyalty of its long-suffering shareholders and came out with a convincing package. There is £800m of cash, through a share buy-back which should win the hearts of many tax-exempt institutions, given the tax credits that come with it. Meanwhile, the 20 per cent annual dividend growth projected up to January 1996 is way ahead of forecasts - although the additional cost to Forte in the first year will be almost entirely offset by the reduction in shares from the buy-back.

Of course, the deal leaves Forte looking stretched. Dividend cover will be only two times and interest cover three. Nonetheless, it is a good time in the hotel cycle to have gearing. It will keep pressure on the management to deliver on their promises and encourage the sale of trophy assets, which in turn would enhance earnings. Given Sir Rocco Forte's unfortunate unwillingness to split his chairman and chief executive roles, such assurances are important - after all, the recent transformation has come at the end of a shotgun barrel.

This is all bad luck for Granada. At least UK regulatory changes mean that it now has the option of buying another television company, if it loses Forte. And given Granada's superior management track record, a higher offer could still win the day. But it is hard to see how much more Granada can justify paying. The potential loss of management contracts, combined with the likelihood of an increased hotel depreciation bill, means that Granada will have to work some magic to make the numbers look attractive.

Turkey

Turkey's elections have left the country adrift. The immediate worry for western investors is not that the biggest share of the vote was won by a party pledged to turn the country into an Islamic republic - since the Islamists stand little chance of persuading others to join them in a coalition. It is that Turkey's two centre-right, pro-western parties do not have a majority between them. And a three-way coalition, which would have to include one of the country's left-wing parties, is unlikely to deliver the nasty dose of medicine the economy badly needs.

Over the last 15 years, Turkey's economy has managed to grow by 5 per cent a year on average the strongest performance in the OECD. But growth has been volatile; in 1994, the economy actually shrank by 6 per cent. Although growth has picked up

Gilt repo

The opening of the gilt repo market yesterday marks not only a further step in the modernisation of the UK's gilt market, assuming it is successful, it is also likely to lead to changes in the way the Bank of England executes monetary policy.

Currently, the Bank controls liquidity by issuing bills up to three times daily. Other central banks, such as the Banque de France and the US Federal Reserve, use repos for this purpose, typically once or twice a week. Some argue that the frequency of the Bank of England's market operations gives it a more subtle influence. This may have some truth, but the British system also has considerable drawbacks. Most important, the bills market is dominated by the clearing banks, which in practice are able to manipulate the market.

The Bank of England has yet to

China issues new listing rules for hard currency B-shares

By Geoffrey Crothall in Beijing

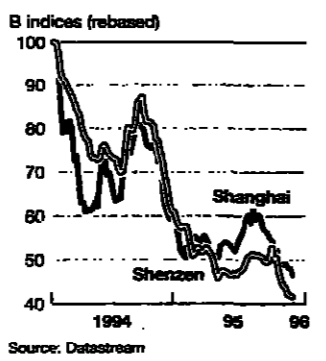
China yesterday issued its first rules on the listing and trading of hard currency B-shares in an attempt to consolidate and unify the national market.

B-shares, first issued in late 1990, have until now been regulated separately by China's two securities exchanges in Shanghai and Shenzhen. They are available to foreign investors, to Hong Kong, Taiwan and Macao nationals, and to Chinese nationals living abroad.

The new rules, published by the official Xinhua news agency, state that new listings in excess of \$30m must first obtain approval from China's cabinet, the state council.

Companies seeking to list B-shares must hold at least 35 per cent of the initial offering and invest a minimum of Yn150m (\$18.1m) in the issue. Companies hoping to expand their capital with a new offering must have a minimum net asset value of Yn150m and have shown a minimum three years' consecutive profit before the offering.

China



Source: Datastream

Shanghai and the 32 listed in Shenzhen and are not expected to have a major impact on the market, which has been fairly dormant for several months. The rules are being seen by analysts in Beijing as simply an attempt to unify the market and create a more orderly investment environment for foreign investors.

In spite of the restrictions on who may hold B-shares, much of the investment in the companies during the past two years has come from mainland investors using intermediaries abroad.

Many analysts believe that as China moves towards full convertibility of the yuan, B-shares will gradually become redundant. With convertibility on the current account, Chinese companies will no longer have the same need to raise hard currency through B-Share offerings. The Shanghai B share index ended sharply higher on institutional buying in selected stocks yesterday. Reuter reports from Shanghai. The index rose 0.987 points, or 2.07 per cent, to 48,672 on volume of 2.2m shares worth \$490,000.

Clinton in new moves to end impasse over US budget

Continued from Page 1

accept the condition of limiting the time allowed for debate on the overall budget. The broader impact of the shutdown, which also affects about 750,000 civil servants who are at work but being paid less than full salaries, remains scattered. Small federal

contractors, including those running canteens, and communities dependent on the seasonal trade around national parks, appeared most affected, along with federal employees. Most government economic statistics, mainly compiled by the labour and commerce departments and watched by financial markets, are not

being published. Yesterday's victim was the construction returns, while Friday's unemployment figures are unlikely to appear. A protracted shutdown would eventually begin to affect collection of economic data, officials say. Although no important opinion polls were published over the holidays, most had pre-

viously shown the public much more inclined to blame Congress than the president for the state of affairs. This may explain the relative moderation displayed by some members of the hardline Republican freshman class in the House in conceding even their prized \$245bn tax cut should be on the negotiating table.

FT WEATHER GUIDE

Europe today
Near gale and gale force winds will cross Ireland bringing rain to the west. The rest of the British Isles will be cloudy and dry and Scotland may have sunny spells. The Low Countries, Germany and northern France will be mostly cloudy. Southern France and eastern Spain will be sunny. Portugal and western Spain will have cloud and rain. Italy will be dry with cloud in the north and sunny periods elsewhere. Low pressure in the eastern Mediterranean will cause torrential rain along Turkey's south coast. The Balkans will be cloudy and there will be rain in Romania and snow as far north as Latvia. Russia and Scandinavia will be very cold with some sun.

Five-day forecast
Portugal will be unsettled with a lot of rain. Central Europe will remain cold and dry but a band of rain turning to snow will move across France towards the Low Countries and Germany on Friday. The western Black Sea region will have occasional rain. The British Isles will be windy and cloudy with rain at times. High pressure will promote fair conditions in Scandinavia.

TODAY'S TEMPERATURES

Mauritius	sun	3	Caracas	cloudy	30	Faro	showers	18	Madrid	cloudy	12	Rangoon	sun	30
Abu Dhabi	sun	25	Cardiff	cloudy	7	Frankfurt	cloudy	7	Manila	cloudy	16	Reykjavik	rain	4
Accra	sun	25	Casablanca	sun	20	Geneva	cloudy	4	Osaka	showers	16	Singapore	cloudy	0
Algiers	sun	19	Berlin	cloudy	6	Chicago	cloudy	4	Manchester	cloudy	5	Rome	sun	13
Amsterdam	cloudy	3	Bombay	cloudy	24	Cologne	cloudy	2	Warsaw	cloudy	27	S. Francisco	sun	15
Atlanta	cloudy	3	Dakar	sun	30	Hamburg	cloudy	2	Wellington	cloudy	0	Detroit	sun	15
Buenos Aires	sun	14	Dallas	sun	30	Helsinki	cloudy	6	Yokohama	sun	18	Hong Kong	sun	29
Bangkok	sun	26	Delhi	sun	22	Honolulu	sun	27	Amman	sun	29	London	sun	15
Batavia	sun	26	Dubai	sun	25	Jakarta	showers	25	Manila	cloudy	16	Los Angeles	sun	12
Bombay	sun	14	Dublin	cloudy	9	Jersey	cloudy	9	Montreal	cloudy	12	New York	sun	18
			Kuala Lumpur	sun	25	Karachi	cloudy	2	Moscow	cloudy	9	Osaka	sun	18
			Kuwait	sun	25	Khartoum	sun	27	Paris	sun	10	Seoul	sun	12
			L. Angeles	sun	25	Kobe	sun	18	St. Petersburg	sun	12	Taipei	sun	12
			Las Palmas	sun	25	Kyoto	sun	18	Tokyo	sun	12	Toronto	sun	7
			Lima	sun	25	London	sun	15	Ulaanbaatar	sun	12	Vancouver	cloudy	6
			Lisbon	sun	17	Madrid	sun	12	Verona	cloudy	1	Washington	sun	11
			London	sun	15	Moscow	sun	9	Warsaw	sun	6	Wellington	windy	8
			Luxembourg	sun	15	Nairobi	sun	25	Washington	sun	11	Winnipeg	cloudy	21
			Lyon	sun	15	Prague	sun	9	Zurich	cloudy	1			
			Madeira	sun	2									

Situation at 12 GMT. Temperatures maximum for day. Forecasts by Metec Consult of the Netherlands

"Fund management companies rated SBC Warburg as providing the best pan-European Research..."*

Financial Times, December 5, 1995
*Source: Reuters study carried out by independent consultants

Fair comment.

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سكدا من الراجلى

INTERNATIONAL COMPANIES AND FINANCE

NEWS DIGEST

Schering forecasts increase in profits

Schering, the German pharmaceuticals company, expects net profits to exceed DM285m (\$199m) and sales to climb above DM5bn this year. The forecast follows a turbulent year in which currency fluctuations and controversy over several of its products drove down profits and sales. Mr Giuseppe Vita, chairman, said yesterday.

Mr Vita told the daily Berliner Zeitung that net profits for last year would fall 18 per cent on sales of DM4.6bn. Schering reported net profits of DM235m on sales of DM4.7bn in 1994, but attempts to sustain growth were blocked by the strength of the D-Mark against the US dollar and other currencies. Mr Vita said last year's currency fluctuations cost Schering DM400m in sales.

The more upbeat assessment for this year stems from what the company believes is a growing confidence in the market for Betaferon, Schering's multiple sclerosis drug which is due to be launched in Germany soon. It is already available in the US and some European countries. Mr Vita said he expected sales of Betaferon to reach DM650m this year - accounting for 13 per cent of total turnover. However, analysts said Schering had still to restore its credibility in two of its products - contrast-media, which is used in X-rays, and contraceptives.

UK health authorities last year alleged that some of Schering's most recent oral contraceptive drugs had had side effects, while Isovist 280, its contrast media drug had to be withdrawn from the market following delayed side effects.

Judy Dempsey, Berlin

Beiersdorf buys Kendall brands

Beiersdorf, the German chemicals group, has bought a plant and two medical product brands - Curad and Futuro - from Kendall of the US. The plant is situated in Mariemont, Ohio. Plasters were sold in the US under the Curad name while Futuro is the US market leader for orthopaedic bandages and elasticated bandages.

The products brought in \$100m sales for Kendall, a unit of Tyco International of the US, in 1995. Beiersdorf, which gave no financial details of the deals, said the purchases represented a significant strengthening of its US activities.

Reuter, Hamburg

Hoogovens expects sharp rise

Hoogovens, the Dutch steel and aluminium group, expects to record a substantially higher net profit from ordinary operations for 1996. It added, however, that net profit for the second half of 1995 would be lower than in the first half and that results in the first half of 1996 would continue to be affected by weaker economic growth in western Europe.

Hoogovens made a 1994 net profit on ordinary activities of Ft 366m (\$228m).

Reuter, Beverwijk, Netherlands

Israel to sell 10% stake in IDB

The Israeli government plans to sell a 10 per cent stake in Israel Discount Bank, the country's third-largest bank, on the Tel Aviv stock market next month, the Treasury said. IDB Holding owns 13.2 per cent of Israel Discount Bank, with the remainder controlled by the government. The sale will be followed by a public share offering for United Mizrahi Bank. These are the only two of Israel's top five banks not yet traded on the stock exchange. After the share offerings, the government will distribute options to the public to buy shares in the banks as well as in other state companies.

Reuter, Tel Aviv

Indonesian listings planned

Four state-owned Indonesian companies - Jasa Marga, the toll road operator, Krakatau Steel, the steel group, PLN, the electricity supplier, and Bank Negara Indonesia 1946 - will list shares, both locally and abroad, this year, the government said yesterday. It said the listings would come in the second half of the year, giving investors time to digest the recent share issue of telecommunications operator Telkom. Analysts said the government should disclose a fixed initial public offering schedule so that international fund managers could plan their purchases.

AP-DJ, Jakarta

Weak sales growth for Toys 'R' Us at Christmas

By Richard Tomkins in New York

Toys "R" Us, the US toy store group, yesterday provided further evidence of the gloom that afflicted US retailers this Christmas. It announced that sales in its US stores open a year or more had risen less than 1 per cent in the eight-week holiday season to December 24.

The poor Christmas sales continued a trend that had characterised much of the US retailing sector all year. For the 11 months to December, Toys "R" Us said same-store sales in the US dropped 2 per cent, and margins fell because the company had to tempt customers with low prices.

Toys "R" Us is the world's largest toy retailing chain, and its assessment of Christmas trading is a closely-watched indicator of the level of the season's trading, not just for toy companies but for the whole retailing sector.

Mr Michael Goldstein, chief executive, said one of the main factors hampering its performance in the year to date had been the absence of a hot, new toy product. However, he noted that US same-store sales in December alone had risen 2 per cent.

He said the company was especially pleased with its December performance since it was a period marked by the lack of availability of hot video game software and the impact of the anniversary of the introduction of Power Rangers phenomena.

With additional sales coming from newly-opened stores in the US and internationally, the group's overall sales rose 7 per cent to \$3.98bn in the eight-week holiday season and 7 per cent to \$8.9bn in the 11 months to December.

In the UK, the introduction of 32-bit computer hardware helped lift percentage growth in same-store sales into double digits, and Japan performed well. But same-store sales fell in Canada, France, Spain and Australia, and were flat in Germany.

Walgreen, which operated 2,118 drug stores in the US at the end of the first quarter, said sales in the first quarter of fiscal 1996 ended November 30, 1995 rose 11.9 per cent to a record \$5.7bn, Reuter reports from Deerfield, Illinois. Net earnings climbed 17.9 per cent to \$83.7m, or 26 cents a share. Walgreen said earnings gains reflected expense controls and higher pharmacy sales.

Germany, UK lead IT spending in Europe

By Paul Taylor

Europe's 100 biggest spenders on information technology will invest an estimated \$40bn worldwide on IT in 1995, according to a recently completed survey.

The figures, based on a study prepared by Spikes Cavell, the UK-based market research firm, for Information Week, a US weekly publication, confirm that German and UK companies spend the most on IT and account for more than half the total investment.

Siemens, the German electronics group, heads the European IT spending league with \$2.29bn of expenditure last year, followed by Royal Dutch/Shell with \$1.76bn and Barclays Bank with \$1.3bn.

The rise in IT spending is also confirmed by figures from the Frankfurt-based European

Information Technology Observatory, which recently increased its estimates for European IT growth to 6.5 per cent last year and more than 7 per cent this year - considerably higher than the 4 per cent growth rate in Japan but below the 10 per cent growth in the US.

Spikes Cavell said corporate re-engineering and rationalisation were changing the dynamics of European IT spending and driving up global budgets. This was particularly evident in the stronger European economies, with the UK showing the highest growth of 8 per cent from 1994.

Germany has 26 companies in the top 100, the UK 25 and France 21. Only six Italian companies are in the top 100, compared with Switzerland's 10. Switzerland's strong economy supports the highest IT

Europe's top 10 information systems spenders

Rank	Company	Country	Spending*
1	Siemens	Germany	\$2,292
2	Royal Dutch/Shell	UK/Neth	\$1,757
3	Barclays	UK	\$1,300
4	Deimler-Benz	Germany	\$1,125
5	ABN AMRO Holdings	Netherlands	\$960
6	Philips Electronics	Netherlands	\$948
7	BT	UK	\$826
8	Volkswagen	Germany	\$886
9	Deutsche Bank	Germany	\$814
10	Elf Aquitaine	France	\$681

*In millions of dollars. Source: Information Week/Spikes Cavell

spending per capita in the world.

However, Mr Paul Tate from Information Week warned that "spending more money on IT is no guarantee that European companies - east or west - will gain any extra value out of their investments. What is different in this new IT growth phase is that Europe's chief

executives are pitching for the maximum benefits out of their IT budgets."

Europe's banking, oil, electronics and manufacturing companies are near the top of the spending league. IT investment among the top European banks is upwards of 0.5 per cent of asset value, while the top 10 manufacturing compa-

nies spend between 1 per cent and 2.6 per cent of revenues on IT. UK companies re-invest more of their revenues in IT. Reuters, the London-based international news group, emerged as the highest re-investor, ploughing almost 10 per cent of its revenues back into IT infrastructure and services.

"Europe is unquestionably on the move in terms of IT spending," said Mr Luke Spika, managing director of Spikes Cavell. "Though the countries differ there has been a fundamental shift to distributed systems, especially client-server architectures, and we are seeing enormous growth in every area of networking."

Scandinavian companies emerged as the most advanced in implementing client/server computing, followed by France, Germany and the UK.

The right Philippine connection

PLDT is leading a telecoms revolution, writes Edward Luce

The past 12 months have been a remarkable time for the Philippine Long Distance Telephone Company (PLDT). As the most watched Philippine ADR on the New York Stock Exchange PLDT's share price has tracked the Manila Stock Exchange's volatile fortunes.

Beneath the surface, however, the former state-owned telephone company has been carrying out the most rapid telecoms expansion plan in the country's history.

Since January, PLDT has installed 200,000 new telephone lines and is expected to provide another 1m fixed lines before the end of the century.

Analysts point out that the company's disappointing results can be blamed on the appreciation of the peso, which has eaten into dollar earnings, rather than the effects of competition from new players in the recently liberalised environment.

Net profits grew only 5 per cent in the first nine months, to 4.68bn pesos (\$178.8m). They would have grown 20 per cent if the exchange rate had remained stable.

"The market is focusing far too narrowly on PLDT's short-term earnings and missing the bigger picture," said Andrew Harrington, a telecoms analyst at Salomon Brothers in Hong Kong. "What they should be looking at is PLDT's Zero Backlog programme which is expanding the telecoms market at a rate of knots," he said.

Under the Philippines' regulatory guidelines eight new

telecoms operators have been awarded licences to compete with PLDT for local and international telephone traffic. In exchange the new players, as well as PLDT, are required to install a fixed number of telephone lines in allotted areas. For PLDT the allotted area is the entire country.

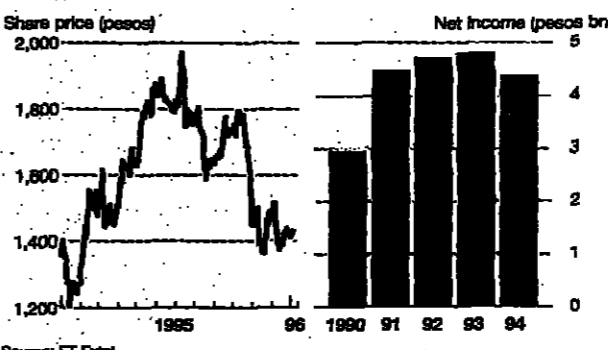
"PLDT has lost market share, but the market as a whole is growing so rapidly that PLDT's revenue growth is easily outstripping national economic growth," said Mr Matthew Sutherland, chief researcher at Asia Equity Securities in Manila. "There is enough room for most of the companies to continue expanding without really threatening PLDT."

According to Mr Eduardo Del Fonso, PLDT finance director, the Philippines has only 2.1 telephone lines per 100 people, far below the expected density for a country with a per capita income of about \$1,000.

If all the companies fulfil their commitments the market will have leapt from 1.5m lines in 1995 to 7.4m by the turn of the century. International traffic growth will be exponential. By 2000 analysts say the Philippine market will have been transformed.

PLDT's debt-equity ratio, which is expected to hit 100 per cent by 1997, is considered manageable by industry analysts, who point out that the company has structured its liabilities to mature in as long a time-frame as possible. Set at 360 basis points above US Treasury bills, PLDT's bonds are

Philippines Long Distance Telephone



Source: FT Data

lower-yielding than comparable emerging market telecoms debt offerings.

This month PLDT is to select one of six foreign bidders, including Siemens and AT&T, to install a \$200m fibre optics system. PLDT will then issue \$250m of seven to 10-year debt on the Yankee bond market, its third international offering since 1993.

"We are planning to tap around \$30m from the local and international capital markets over the next few years to fund our expansion plan," said Mr Del Fonso. "This includes moving from analogue to digital and tripling the number of PLDT lines in the Philippines."

Mr Del Fonso predicts that PLDT's market share will probably fall to around 65 per cent by 2000, from 100 per cent in 1991. Last year, its share of international traffic dropped from 85 per cent to 61 per cent as new competitors such as Globe Telecom, a joint venture between Ayala Corporation, a local holding company, and Singapore Telecom, attracted new customers.

PNC Bank revamps securities

By Richard Waters in New York

PNC Bank has for the second year running announced a restructuring of its securities portfolio. The move marks an attempt by the Pittsburgh-based financial institution to make itself less vulnerable to changes in US interest rates.

PNC's securities losses have been among the most visible of those suffered by US banks during a period of great volatility in rates, which has severely tested banks' interest rate management skills.

The latest balance sheet realignment, carried out before the end of last year, will result in charges of nearly \$200m. It follows a late-1994 adjustment, undertaken in a very different interest rate climate, that cost the bank around \$80m.

A year ago, PNC was suffering in the aftermath of a series of interest rate rises and a bond market crash.

To make itself less liability-sensitive (exposed to rising rates) it sold some fixed-rate bonds. To reduce the potential losses on its remaining holdings, it also bought interest rate caps and swaps under which it would pay a fixed rate.

PNC said yesterday it had sold \$6bn of securities before the end of 1995, \$1.5bn of them Treasury bonds and the rest Collateralised Mortgage Obligations, for an after-tax loss of \$40m.

It also sold swap contracts tied to these securities, resulting in a further after-tax loss of \$150m.

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In accordance with the provisions of the Notes, notice is hereby given that for the three month period 29th December 1995 to 29th March 1996, the Class A1 Notes, Class A2 Notes and Class B Notes will carry an interest rate of 6.925%, 6.7825% and 7.8125% per annum respectively. The interest payable per £100,000 Note will be £2.37, £2.49 for the Class A1 Notes, £1,686.36 for the Class A2 Notes and £1,942.45 for the Class B Notes.

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Nissho Corporation

Notice to the holders of Bonds and to the holders of Warrants of the outstanding U.S.\$130,000,000 7/8 per cent Guaranteed Bonds due 1997 with Warrants to subscribe for shares of common stock of Nissho Corporation

Notice is hereby given that at a Meeting of the holders of the above Bonds (the "Bondholders") convened by Nissho Corporation and held on 21st December, 1995 the resolution proposed in the Notice to Bondholders published in the Financial Times and the Luxembourg Paper on 29th November, 1995 was duly passed as an Extraordinary Resolution.

Notice is further hereby given pursuant to Clause 13(b) of the Paying and Warrant Agency Agreement dated 14th October, 1993 that by written notice dated 20th November, 1995 Daiwa Bank Trust Company resigned as Custodian under the Paying and Warrant Agency Agreement and that The Industrial Bank of Japan Trust Company has been appointed Custodian in its place under the Paying and Warrant Agency Agreement by a Supplemental Agency Agreement dated 22nd December, 1995 amending the Paying and Warrant Agency Agreement.

Copies of the Trust Deed dated 14th October, 1993 relating to the Bonds, a Deed of Appointment and Reimbursement of Trustee dated 22nd December, 1995, the Paying and Warrant Agency Agreement and the Supplemental Agency Agreement and minutes of the Meeting of Bondholders held on 21st December, 1995 may be inspected at the specified office of any of the Agents given below.

Trustee
The Industrial Bank of Japan Trust Company,
245 Park Avenue
New York, N.Y. 10004

Paying Agents
The Daiwa Bank, Limited
5th Floor, 4 Broadgate,
London EC2M 2QS.

Deutsche Bank Aktiengesellschaft, Tammsstrasse 12, D-60325 Frankfurt am Main.
The Industrial Bank of Japan (Luxembourg) S.A., 6, Rue Jean Monnet, P.O. Box 68, L-2910 Luxembourg.

Morgan Guaranty Trust Company of New York, Avenue des Arts 35, B-1040 Brussels.

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COMPANY NEWS: UK

BTR disposes of Malaysian joint venture

By Tim Burt

BTR, the UK industrial conglomerate, is withdrawing from the Malaysian petrochemicals industry as part of its programme of non-core disposals.

The group, which has raised \$680m (£1.05bn) from disposals in the past six weeks, is selling its minority interest in the Malaysian operations of Titan Petrochemicals - controlled by Taiwan's Chao group - for M\$224.7m (£37m).

This disposal continues our strategy of divesting non-core interests and concentrating on industrial manufacturing," said Mr Alan Jackson, who agreed the deal before stepping down as BTR chief executive at the end of December.

It follows BTR's decision in November to sell its UK aggregates business to Minorco, the international natural resources group, for \$300m and the disposal two weeks ago of Dunlop Slazenger for \$300m to a management buy-out team.

BTR has sold businesses with combined sales of almost \$3bn in the past four years.

Under the terms of the latest deal, BTR's joint venture partners in Malaysia will pay M\$123.5m in cash for the stake with the remaining M\$101.2m

payable over five years on a fixed letter of credit.

The proceeds are expected to reduce BTR's borrowings after the £1.38bn buy-out last month of minority shareholders in its Australian arm, BTR Nylax.

Although the deal has yet to be approved by the Malaysian government, industry analysts welcomed yesterday's disposal plans. They cited difficulties with the petrochemical operations as a factor behind BTR's cautious trading statement last month.

At the time, the company said the deteriorating performance of its Taiwanese polymer plant and a slowdown in some of its main construction and automotive markets meant profits this year would be below expectations.

"More parts of the Taiwanese polymer businesses could now be sold," said one analyst. Another said BTR might consider selling some of its smaller industrial operations, which have limited scope for expansion.

Mr Ian Strachan, who succeeded Mr Jackson as chief executive this week, is expected to draw up further disposal candidates over the next few months.

Drive for profit growth as honeymoon ends

Geoff Dyer considers the future for NFC under Gerry Murphy

According to Mr Gerry Murphy, the new chief executive of NFC, the flagging transport and logistics group has been held up by a "pre-occupation" with internal workings. "It has lost a couple of years," he admits.

Most observers would regard this as an understatement. In the last two years NFC has seen a boardroom bust-up, three chief executives and two chairmen. It has been poked and prodded by endless consultants, taken a string of restructuring provisions and made a couple of disastrous acquisitions.

The City has taken an even dimmer view. At its flotation in 1988, NFC was seen as a glory stock, but after a series of poor profit figures it has become the target of analysts' jibes. The shares have dropped from 285p in January 1994 to 142p yesterday and over the last three years they have underperformed the market by 60 per cent.

Now six months into the job, Mr Murphy, a 40-year-old Irishman, is under pressure to explain how he will reverse the group's fortunes.

The first problem, he says, was to "fix the plumbing" - the group's internal management. The board has been revamped with the group of

long-standing executives from before privatisation swept away, and five new directors appointed. Below board level, about 20 new executives have been installed, including the entire senior management team in the UK.

The main goal now, he says, is to boost profits. Given that NFC made operating profits last year of only £88.2m on turnover of £2.2bn, it is not

transforming the management culture. The UK division has been split into 12 separate operating companies, each with its own balance sheet and profit-and-loss account. "The people running these businesses are now asking 'do we really need to pay that £100,000 printing bill?'"

And in a thinly veiled swipe at the group's notorious empire-building, he says: "It

The North American division needs the least surgery. Mr Murphy believes it is well placed to provide high-quality logistics services.

NFC's troubles have had venture capitalists circling the group, in expectation that some of the businesses will be spun off.

Mr Murphy will only give a few hints of his long-term plans. He talks approvingly of how focused the US business is and how free it is from historical baggage. He adds: "We do not have a disposal agenda, but the virtue of the reorganisation is that we will have a better understanding of what value each business is creating."

He makes a strong case for keeping Lynx, the parcels business, which many view as a disposal candidate. "It is very much part of a logistics portfolio. If we did not have Lynx, we would have to hire in some Lynx-like services."

Mr Murphy is less convincing in defining a role as a core NFC activity for Pickfords, the removals business which has suffered from the housing downturn. "It involves many of the same service disciplines as a logistics business," he claims. However, analysts feel Pickfords has greater potential to become a high-margin business than Lynx.

He admits that the loss-making European division is an even bigger headache, and one that will take longer than a year to turn round. The task is to forge its recent acquisitions, many of which are small regional businesses, into national networks.

'It used to be that size defined one's power. But the prizes will now go to people who can produce results from the least resources'

surprising that Mr Murphy has concluded: "Growing revenue is not difficult for us, it is converting that into making money that is our problem."

For the UK division, he believes this is a matter of reducing costs. "We have become a lot more expensive than we ought to be," he says. The purchasing of fuel, equipment and other materials has been pooled and managers are being encouraged to share assets more.

Mr Murphy is also intent on

used to be that size defined one's power - the more trucks you had, the bigger a player you were. But the prizes will now go to the people who can produce results from the least resources."

He admits that the loss-making European division is an even bigger headache, and one that will take longer than a year to turn round. The task is to forge its recent acquisitions, many of which are small regional businesses, into national networks.



Gerry Murphy: attempting to transform management culture

The City breathed a sigh of relief when NFC announced last month that it had pulled out of negotiations to buy Lep International, a freight-forwarding business. Mr Murphy says Lep was a good strategic fit, as it would have allowed NFC to offer a more complete service to clients who want goods moved around the world.

However, given that NFC is striving to cut costs and boost the bottom line, many analysts and competitors were surprised to see it bidding for a

company with 6,000 staff which had annual sales of £1.2bn and reported 1994 operating profits of \$4.4m.

With the publication last month of another disappointing set of results, the honeymoon has ended for Mr Murphy, says one analyst. But as one analyst commented: "NFC's problems have not just been about management credibility but about the credibility of the businesses. And that is much more difficult to solve."

Expansion for Albert E Sharp

Albert E Sharp, the Birmingham-based stockbroker, has bought the Brown Shipley private client stockbroking business from Guinness Peat for \$6m-£7m (\$1m).

Sharp, the largest institutional broker outside London, said the deal would make it the biggest UK stockbroker with no outside shareholders. It will have about \$4.5bn of funds under management and \$35m revenues.

Brown Shipley will bring Sharp an expanded regional network.

Sema buys rest of Tibet for FFr92m

Sema Group, the computer services company, has offered to buy for FFr91.9m the shares it does not already own in Tibet.

The company provides back-office systems for the French stock market.

The outstanding shares amount to 61 per cent of the issued capital and are owned by about 20 French institutions.

Acceptances reported by December 31 resulted in Sema owning 71.44 per cent of Tibet.

Hickson US disposal to Tessenderlo completed

Hickson International, the West Yorkshire-based chemicals group, has completed the sale of Hickson Kerley, its US performance chemical offshoot to Tessenderlo, the Belgian group. The consideration is \$30m plus a further \$4.75m for incremental working capital.

The proceeds, paid in cash,

will be used to reduce borrowings.

The shares were unchanged at 77p. In November after warning of losses for 1995, estimated by analysts at up to \$30m, the shares fell 12p to 87p.

The sale does not include a production site in California.

Unigate acquires Booker bacon side

By Patrick Harverson

Booker, the foods group, has sold its two bacon businesses to rival Unigate for £20.3m (\$31m) cash.

The proceeds from the disposal will be used to reduce debt. After the sale is completed, debts should stand at between £125m and £130m, Booker said.

Gearing will be just under 70 per cent, roughly where it was at the end of 1994.

The bacon and pork processing businesses sold to Unigate - Stocks Lovell of Evesham in Worcestershire and Lovell & Christmas of Ballymoney, Northern Ireland - generated profits of £2.4m in 1994 on turnover of £23.7m.

Booker said it expected turnover at the two companies to have grown slightly last year, but profits to have fallen because of higher raw materi-

als costs. In particular, strong demand for pigs in Northern Ireland had pushed up pig prices there by as much as 25 per cent during the year.

The two businesses were sold because Booker wanted to concentrate on its food distribution, fish processing and agribusiness interests.

The remaining prepared food businesses are also likely to be sold, said Mr John Kilson, finance director, although he said no further disposals were imminent.

Booker also provided an update on trading conditions, reporting that UK food distribution sales over the Christmas period had been "satisfactory".

It added that group sales for the year as a whole were up 13 per cent on 1994's figures and up 6.5 per cent on a like-for-like basis.

The shares rose 7p to 365p.

INVERSUD INVESTMENT FUND
Société d'investissement à Capital Variable
2, boulevard Royal, Luxembourg
R.C. LUXEMBOURG B-41737

To our shareholders,
We have the honour to invite you to attend the

ANNUAL GENERAL MEETING

of shareholders of our company which will take place at the offices of Banque Internationale à Luxembourg, 69, route d'Esch, L-1470 Luxembourg, on January 12, 1996 at 3:00 p.m. for the purpose of considering and voting upon the following agenda:

1. Submission of the Reports of the Board of Directors and of the Auditor;
2. Approval of the Statement of Net Assets as September 30, 1995 and of the Statement of Operations for the year ended September 30, 1995;
3. Allocation of the net results as September 30, 1995;
4. Discharge to the Directors;
5. Statutory Appointments;
6. Any other business which might appropriately be presented for consideration.

Resolutions on the agenda of the annual meeting will require no quorum and will be taken at the majority of the votes expressed by the shareholders present or represented at the meeting.

THE BOARD OF DIRECTORS

Yodogawa Steel Works, Ltd.

Notice to the holders of Notes and to the holders of Warrants of the outstanding U.S.\$300,000,000 1 3/4 per cent. Notes due 1997 with Warrants to subscribe for shares of common stock of Yodogawa Steel Works, Ltd.

Notice is hereby given that at a Meeting of the holders of the above Notes (the "Noteholders") convened by Yodogawa Steel Works, Ltd. and held on 21st December, 1995 the resolution proposed in the Notice to Noteholders published in the Financial Times and the Luxembourg Wort on 29th November, 1995 was duly passed as an Extraordinary Resolution.

Notice is further hereby given pursuant to Clause 13(B) of the Paying and Warrant Agency Agreement dated 23rd December, 1993 that by written notice dated 20th November, 1995 Daiwa Bank Trust Company resigned as Custodian under the Paying and Warrant Agency Agreement and that Yasuda Bank and Trust Company (U.S.A.) has been appointed Custodian in its place under the Paying and Warrant Agency Agreement by a Supplemental Agency Agreement dated 22nd December, 1995 amending the Paying and Warrant Agency Agreement.

Copies of the Trust Deed dated 23rd December, 1993 relating to the Notes, a Deed of Appointment and Retirement of Trustee dated 22nd December, 1995, the Paying and Warrant Agency Agreement and the Supplemental Agency Agreement and minutes of the Meeting of Noteholders held on 21st December, 1995 may be inspected at the specified office of any of the Agents given below.

Trustee	
Yasuda Bank and Trust Company (U.S.A.) 666 Fifth Avenue, New York, N.Y. 10103.	
Paying Agents	
Fujii Bank (Luxembourg) S.A., Centre Financier, 29 Avenue de la Porte-Neuve, L-2227 Luxembourg	Asahi Bank (Schweiz) AG, Stockenstrasse 14, 8002 Zürich.
Daiwa Bank (Deutschland) GmbH, Im Trutz Frankfurt 55, 60322 Frankfurt am Main.	The Fuji Bank Limited, 26 Avenue des Champs-Élysées, 75008 Paris.
The Yasuda Trust and Banking Company, Limited, 1 Liverpool Street, London EC2M 7NL.	Morgan Guaranty Trust Company of New York, Avenue des Arts 35, B-1040 Brussels.

3rd January, 1996 Yodogawa Steel Works, Ltd.

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Trustee	
Yasuda Bank and Trust Company (U.S.A.) 666 Fifth Avenue, New York, N.Y. 10103.	
Paying Agents	
Fujii Bank (Luxembourg) S.A., Centre Financier, 29 Avenue de la Porte-Neuve, L-2227 Luxembourg	Asahi Bank (Schweiz) AG, Stockenstrasse 14, 8002 Zürich.
Daiwa Bank (Deutschland) GmbH, Im Trutz Frankfurt 55, 60322 Frankfurt am Main.	The Fuji Bank Limited, 26 Avenue des Champs-Élysées, 75008 Paris.
The Yasuda Trust and Banking Company, Limited, 1 Liverpool Street, London EC2M 7NL.	Morgan Guaranty Trust Company of New York, Avenue des Arts 35, B-1040 Brussels.

3rd January, 1996 Yodogawa Steel Works, Ltd.

SxL Corporation

Notice to the holders of Notes and to the holders of Warrants of the outstanding U.S.\$80,000,000 2 1/2 per cent. Notes 1997 with Warrants to subscribe for shares of common stock of SxL Corporation

Notice is hereby given pursuant to Clause 13(B) of the Paying and Warrant Agency Agreement dated 11th February, 1993 that by written notice dated 29th November, 1995 Daiwa Bank Trust Company resigned as Custodian under the Paying and Warrant Agency Agreement and that Sawa Bank Trust Company of New York has been appointed Custodian in its place under the Paying and Warrant Agency Agreement by a Supplemental Agency Agreement dated 22nd December, 1995 amending the Paying and Warrant Agency Agreement.

Copies of the Paying and Warrant Agency Agreement and the Supplemental Agency Agreement may be inspected at the specified office of any of the Agents given below.

Trustee	
Sawa Bank Trust Company of New York, Financial Square, 32 Old Slip, 21st Floor, New York, N.Y. 10005.	
Paying Agents	
The Daiwa Bank Limited, 5th Floor, 4 Broadgate, London EC2M 2QS.	
Daiwa Bank (Deutschland) GmbH, Im Trutz Frankfurt 55, 60322 Frankfurt am Main.	Banque Générale de Luxembourg S.A., 14, rue Aldringen, L-2951 Luxembourg.
Credit Suisse, Paradeplatz 8, CH-8001 Zurich.	Morgan Guaranty Trust Company of New York, Avenue des Arts 35, B-1040 Brussels.

3rd January, 1996 SxL Corporation

Hosokawa Micron Corporation

Notice to the holders of Notes and to the holders of Warrants of the outstanding U.S.\$100,000,000 3 3/8 per cent. Guaranteed Notes due 1996 with Warrants to subscribe for shares of common stock of Hosokawa Micron Corporation

Notice is hereby given pursuant to Clause 13(B) of the Paying and Warrant Agency Agreement dated 20th February, 1992 that by written notice dated 29th November, 1995 Daiwa Bank Trust Company resigned as Custodian under the Paying and Warrant Agency Agreement and that Mitsubishi Bank Trust Company of New York has been appointed Custodian in its place under the Paying and Warrant Agency Agreement by a Supplemental Agency Agreement dated 22nd December, 1995 amending the Paying and Warrant Agency Agreement.

Copies of the Paying and Warrant Agency Agreement and the Supplemental Agency Agreement may be inspected at the specified office of any of the Agents given below.

Trustee	
Mitsubishi Bank Trust Company of New York, Two World Financial Center, 225 Liberty Street, New York, N.Y.	
Paying Agents	
The Daiwa Bank Limited, 5th Floor, 4 Broadgate, London EC2M 2QS.	
The Bank of Tokyo (Luxembourg) S.A., Régence St. Esprit, 1-3, rue de St. Esprit, 1473 Luxembourg	Daiwa Bank (Deutschland) GmbH, Im Trutz Frankfurt 55, 60322 Frankfurt am Main.
The Mitsubishi Bank Limited, 6 Broadgate, London EC2M 2QS.	Morgan Guaranty Trust Company of New York, Avenue des Arts 35, B-1040 Brussels.
The Sawa Bank Limited, 7, Place Vendôme, 75001 Paris.	

3rd January, 1996 Hosokawa Micron Corporation

The Nippon Synthetic Chemical Industry Co., Ltd.

Notice to the holders of Notes and to the holders of Warrants of the outstanding U.S.\$100,000,000 3 3/8 per cent. Guaranteed Notes 1996 with Warrants to subscribe for shares of common stock of The Nippon Synthetic Chemical Industry Co., Ltd.

Notice is hereby given pursuant to Clause 13(B) of the Paying and Warrant Agency Agreement dated 7th May, 1992 that by written notice dated 29th November, 1995 Daiwa Bank Trust Company resigned as Custodian under the Paying and Warrant Agency Agreement and that Industrial Bank of Japan Trust Company has been appointed Custodian in its place under the Paying and Warrant Agency Agreement by a Supplemental Agency Agreement dated 22nd December, 1995 amending the Paying and Warrant Agency Agreement.

Copies of the Paying and Warrant Agency Agreement and the Supplemental Agency Agreement may be inspected at the specified office of any of the Agents given below.

Trustee	
The Industrial Bank of Japan Trust Company, One State Street, New York, N.Y. 10004.	
Paying Agents	
The Mitsubishi Bank Limited, 6 Broadgate, London EC2M 2QS.	
Deutsche Bank Aktiengesellschaft, Theunstrasse 12, D-6000 Frankfurt am Main.	The Industrial Bank of Japan Limited, Bracken House, One Friday Street, London EC4M 9JA.
Morgan Guaranty Trust Company of New York, Avenue des Arts 35, B-1040 Brussels.	Swiss Bank Corporation Aeschenvorstadt 1, CH-4002 Basle.
The Industrial Bank of Japan (Luxembourg) S.A., 6, Rue Jean Monnet, P.O. Box 68, L-2010 Luxembourg	

3rd January, 1996 The Nippon Synthetic Chemical Industry Co., Ltd.

SxL Corporation

Notice to the holders of Notes and to the holders of Warrants of the outstanding U.S.\$200,000,000 1 1/2 per cent. Notes 1998 with Warrants to subscribe for shares of common stock of SxL Corporation

Notice is hereby given pursuant to Clause 13(B) of the Paying and Warrant Agency Agreement dated 24th February, 1994 that by written notice dated 29th November, 1995 Daiwa Bank Trust Company resigned as Custodian under the Paying and Warrant Agency Agreement and that Sawa Bank Trust Company of New York has been appointed Custodian in its place under the Paying and Warrant Agency Agreement by a Supplemental Agency Agreement dated 22nd December, 1995 amending the Paying and Warrant Agency Agreement.

Copies of the Paying and Warrant Agency Agreement and the Supplemental Agency Agreement may be inspected at the specified office of any of the Agents given below.

Trustee	
Sawa Bank Trust Company of New York, Financial Square, 32 Old Slip, 21st Floor, New York, N.Y. 10005.	
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The Daiwa Bank Limited, 5th Floor, 4 Broadgate, London EC2M 2QS.	
Daiwa Bank (Deutschland) GmbH, Im Trutz Frankfurt 55, 60322 Frankfurt am Main.	Banque Générale de Luxembourg S.A., 14, rue Aldringen, L-2951 Luxembourg.
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3rd January, 1996 SxL Corporation

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COMMODITIES AND AGRICULTURE

Greece invites bids for six oil concessions

By Kerin Hope in Athens
Greece has invited bids for six oil concessions for onshore and off shore oil exploration in areas of western Greece where seismic studies and test drilling have shown promising results.

Exxon and Occidental Petroleum, according to DEP-EKY. However, DEP-EKY said it did not plan to invite bids for test drilling in the north-eastern Aegean, where output at the Prinos field on the island of Thassos has declined to less than 10,000 barrels a day.

MARKET REPORT Copper prices at fresh lows

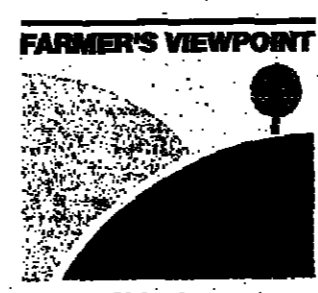
COPPER prices fell to 14-month lows at the London Metal Exchange yesterday, dragging most other base metals down with them. Technically inspired selling in thin market conditions drove the three months delivery price to a 14-month low of \$2,630 a tonne before it ended the after hours "kerb" session at \$2,625, down \$38 from last Friday.

Unnatural selection

Care is needed to ensure the survival of crop and livestock varieties

Biodiversity - government advocates it, conservationists demand it, many farmers claim it is common practice on their holdings. But what is it? The word is relatively new - it is not even mentioned in my ancient dictionary - and may mean different things to different people.

consumer's friend. It has increased food production, improved quality and improved value for money in ways that have been crucial to agricultural success and consumer cost and choice. But such is its power today that a degree of caution is called for. The greatest dangers probably lie in animal breeding, especially in species such as poultry and pigs which, at practical farm level, are capable of the fastest generation turnover.



By David Richardson

need for expensive chemical sprays. We try to enhance biodiversity further by the selection, wherever possible, of a mixture of crop varieties. There are some types of wheat, for instance, which are susceptible to certain strains of debilitating

FT/S&P ACTUARIES WORLD INDICES

Table with columns for REGIONAL MARKETS, FT/S&P ACTUARIES WORLD INDICES, and DOLLAR INDEX. It lists various countries and their respective index values and changes.

Most of the calves in the world may soon be related to just a few dozen superior bull families as breeders select from an ever-reducing gene pool

ing leaf diseases, such as yellow rust. Other varieties succumb to other strains. By growing a number of varieties with different susceptibilities, it is possible, indeed advisable, for each farmer to limit his risk to a bad attack of one particular type of disease.

to select for old fashioned virtues such as good feeds, resistance to disease and a desire to reproduce. They are in danger of producing animals that may have incredible performance potential and quality characteristics but will not breed and tend to die down and die. I am exaggerating, of course, and specialist breeders will always claim to avoid such pitfalls. Nevertheless, there is evidence to suggest that such problems have occurred and where they do I believe it is a direct result of selection from an ever-reducing gene pool and too little use of that vital ingredient - the stockman's eye.

COMMODITIES PRICES

Large table containing various commodity price listings including BASE METALS, PRECIOUS METALS, GRAINS AND OIL SEEDS, SOFTS, MEAT AND LIVESTOCK, ENERGY, and LONDON TRADED OPTIONS.

JOTTER PAD

A grid-based jotter pad for notes, with columns for date, time, and other fields.

CROSSWORD

Crossword puzzle grid with clues provided for both across and down directions.

PRECIOUS METALS

Table listing prices for various precious metals like Gold, Silver, and Platinum.

FUTURE DATA

Table providing future data for various commodities, including prices and contract details.

INDICES

Table showing various market indices and their performance over time.

1 Exercise with the way to acquire a heavily body (8)
2 A distressed condition (8)
3 Went into service (6)
4 Quiet chap's drink (6)
5 Aggressive branch of the animal kingdom (6)
6 Criticise article about Roman temple (8)
7 Made eyes red although out of the wind at first (6)
8 Point has a need to be put differently (6)
9 A couple of pages to praise and praise (7)
10 Medical bag (8)
11 Go up and down (3)
12 Media make a stand about false statement (7)
13 Site includes a splendid residence (8)
14 A British winter visitor (8)
15 Dance performed by N. African in the desert (8)
16 Met line of equal pressure (6)
17 All the wrong impressions (6)
18 A beast in distress lowers (6)
19 I'm included in an American's hostility (6)
20 Dashed arrested - took fright (8)
21 A distressed condition (8)
22 Went into service (6)
23 Quiet chap's drink (6)
24 Aggressive branch of the animal kingdom (6)
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36 All the wrong impressions (6)
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INTERNATIONAL COMPANIES AND CAPITAL MARKETS

Zantac to be displaced as top drug, says report

By Daniel Green

Zantac, the world's best-selling drug since the mid-1980s, will virtually disappear by 2000, displaced by newer drugs, according to a report published yesterday.

Zantac, the ulcer drug made by Glaxo Wellcome of the UK, will be replaced at the top by a rival, Losec, made by Sweden's Astra, says Lehman Brothers, the securities house, in its Pharma Pipelines review of the global drugs industry.

Losec, known as Erlasec in the US, will have annual sales of \$4bn by 2000. Sales in 1994 were \$2.2bn.

Zantac's sales will fall from \$3.7bn in 1994 to \$700m in 2000 as patents expire and competition drives down prices and sales volumes.

The Lehman report forecasts that it will be outside the top 40 best sellers.

The anti-depressant Prozac, made by US company Eli Lilly, will enter the top five in 2000 with sales of \$2bn. In 1994 it brought in \$1.7bn, making it the seventh best seller in that year.

Also rising will be Erythropoietin (Epo), developed by Amgen, the US biotechnology company, and which is licensed out to several other drugs companies.

Epo boosts red blood cells and is used to treat anaemia in conditions including kidney dialysis, cancer, surgery and AIDS.

Sales of Epo are forecast to rise from \$2.1bn in 1994 to \$3.5bn in 2000 as the drug moves from fourth to second in the league table of best-sellers.

Chasing the top five is Zolof, an anti-depressant made by Pfizer of the US and Genentech, related to Prozac, which is moved to 7th place to seventh by 2000. Sales will rise from \$1.8bn in 1994 to \$750m in 2000.

The report also forecasts further mergers and acquisitions in the drugs industry. It says that the rate of new product launches is unlikely to provide the cushion to justify current levels of spending on research and development.

Table with 3 columns: Drug, Type, Company, Sales/\$bn. Lists top-selling drugs in 1994 and 2000 forecasts.

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US Treasury prices slip in early trading

By Lisa Branstetter in New York and Antonia Sharpe in London

US Treasury prices slipped in early trading yesterday, but the long-bond yield remained below 6 per cent as traders took some profits while eyeing Washington for signs of progress in budget negotiations.

Near midday, the benchmark 30-year Treasury bond was down 1/8 at 119 1/2 to yield 5.92 per cent and the two-year note was 1/8 lower at 100 1/2, yielding 5.18 per cent.

Some traders said the market's decline represented disappointment that the White House and the Congress failed to agree a deficit-cutting budget package over the new year weekend. Others attributed the slip to consolidation in the wake of last week's rally that sent the 30-year bond yield well below 6 per cent.

Bonds jumped briefly off their session lows after the National Association of Purchasing Management said its index of business activity rose modestly to 47.3 per cent in December from 46.5 per cent in November. December's figure was less than the consensus estimate that the NAPM figure would hit 47.8 per cent.

Ms Marilyn Schuja, an economist at Donaldson Lufkin & Jenrette, called the report "reversible from a bond market perspective" because of declines in the prices paid and new orders components of the index.

The NAPM figure was paid particular attention because there have not been any government statistics for more than a week because of the government shutdown caused by the budget impasse in Washington.

The UK government bond market lost about a half-point soon after the opening in the wake of the defection of the Conservative MP Miss Emma Nicholson to the Liberal Democrats.

Analysts said that the defection heralded a difficult year for the government and the private sector.

By contrast, gilts could find some support if yesterday's rumours that today's December "purchasing managers" report would be weaker than previously expected.

On Liffe, the March long gilt future fell by 1/4 to 110 1/4 in turnover of about 29,000 contracts. The yield spread over Germany rose to 160 basis points from 153 points before the new year break.

Elsewhere in Europe, government bond markets were generally stronger on the first day of trading in 1996, in particular the high-yielders where investors sought to make gains through spread trading.

Mr Mark Capleton, international bond strategist at BZW, said the prospect of slowing economic growth in Europe also supported bonds.

In Italy, government bonds rose by one point, causing the yield spread over Germany to narrow by about 10 basis points to 475 points, on the back of a firm lira.

The stagy-managed nature of the latest political negotiations also impressed the market, dealers said.

French government bonds rose by about a half-point on hopes of further rate cuts. The yield spread over Germany was little changed at 82 basis points compared with 83 points on the last day of trading in 1995.

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Several issues launched but response subdued

By Conner Middelmann

Several new issues hit dealers' screens yesterday, but the response was subdued, with many investors still formulating 1996 investment strategies.

That was the thinking behind yesterday's two dollar deals, a \$300m five-year bond for GECC and \$250m of three-year bonds for the National Australia Bank.

The GECC deal was priced to yield 10.5 basis points over Treasuries - tight, but in line with other outstanding bonds in that maturity. According to lead manager Union Bank of Switzerland, the bonds saw some institutional demand from UK investors, and also otherwise sized at Swiss and Benelux retail investors.

The NAB issue, priced to yield 12.5 basis points over Treasuries, was also targeted at retail investors and lead manager ABN Amro Hoare Govett said it would get placed over the coming weeks.

The only area that still offers decent swap arbitrage, five-year D-Marks, saw its first joint offering of the year: DM1bn of 5 per cent bonds for D&L Finance, the funding arm of the triple-A rated German municipal financing agency.

Launched early in the day, the bonds, priced to yield 32 basis points over German government notes, were targeted at Asian institutions and European retail investors.

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Sanctuary in second US foray

By Conner Middelmann

Sanctuary, the UK Housing Association, has made its second successful foray in the US capital markets, raising \$80m via a private placement in late December.

The transaction follows a \$75m private placement in November 1994. The deals - both with 17-year maturities - have been swapped into sterling, and are the first international bond issues by a UK housing association. Both were arranged by Hambros Bank.

The latest offering was priced to yield 105 basis points over the equivalent US Treasury bond - 15 points tighter than the yield spread on the previous issue. According to Mr David Knowlton, Sanctuary director of finance, three of the six US institutions which

invested in the issue already held bonds from the previous offering.

"I believe this demonstrates the comfort they have with Sanctuary Housing and also with the UK housing movement as a whole," he said.

With over 22,000 units in management across the country, Sanctuary Housing is one of the largest developers of social housing in the UK.

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WORLD BOND PRICES

Table with columns: Country, Coupon, Red Date, Price, Day's change, Yield, Week ago, Month ago. Lists benchmark government bonds for Australia, Austria, Belgium, Canada, Denmark, France, Germany, India, Italy, Japan, Netherlands, Portugal, Spain, Sweden, UK Gilts, US Treasury, and ECU.

US INTEREST RATES

Table with columns: Rate, 1m, 3m, 6m, 12m, 30-year. Lists Treasury bills and bond yields.

BOND FUTURES AND OPTIONS

Table with columns: Instrument, Open, Settle, Price, Change, High, Low, Est. vol., Open Int. Lists French and German bond futures and options.

UK GILTS PRICES

Table with columns: Instrument, Yield, Bid, Offer, Price, Change, High, Low. Lists UK government bonds and gilts.

INTERNATIONAL BONDS

Table with columns: Issuer, Coupon, Price, Maturity, Yield, Spread, Book-runner. Lists international bond issues.

FT-ACTUARIES FIXED INTEREST INDICES

Table with columns: Index, Jan 2, Dec 2, Dec 27, Dec 31, Yr ago, High, Low. Lists fixed interest indices.

FT/FISMA INTERNATIONAL BOND SERVICE

Table with columns: Issuer, Bid, Offer, Price, Yield. Lists international bond service data.

Other Fixed Interest

Table with columns: Instrument, Yield, Bid, Offer, Price, Change, High, Low. Lists other fixed interest instruments.

NEW INTERNATIONAL BOND ISSUES

Table with columns: Borrower, US Dollars, Amount, Coupon, Price, Maturity, Yield, Spread, Book-runner. Lists new international bond issues.

The only area that still offers decent swap arbitrage, five-year D-Marks, saw its first joint offering of the year: DM1bn of 5 per cent bonds for D&L Finance, the funding arm of the triple-A rated German municipal financing agency.

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FT FIXED INTEREST INDICES

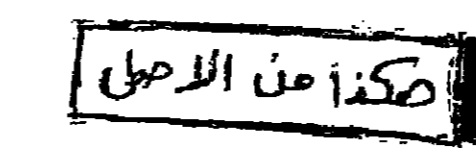
Table with columns: Index, Jan 2, Dec 2, Dec 27, Dec 31, Yr ago, High, Low. Lists fixed interest indices.

FT/ISMA INTERNATIONAL BOND SERVICE

Table with columns: Issuer, Bid, Offer, Price, Yield. Lists international bond service data.

Other Fixed Interest

Table with columns: Instrument, Yield, Bid, Offer, Price, Change, High, Low. Lists other fixed interest instruments.



CURRENCIES AND MONEY

MARKETS REPORT

Europe's high-yielders get off to a good start

By Philip Gawth
The lira and the peseta were the star performers yesterday as currency markets kicked off the new year taking their cue from the bond markets.

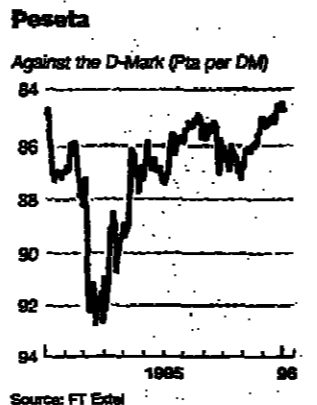
Starling had a steady day, notwithstanding renewed political woe for the prime minister Mr John Major who entered the new year with his parliamentary majority trimmed further still. It was helped by the generally weak tone of the D-Mark, closing at DM2,2335.

Trade in the dollar was light, with Japanese markets closed until Thursday. Sentiment, however, was buoyed by rumours that Japanese exporters were lightening their dollar sell orders, in anticipation of further yen weakness.

Policy considerations do not necessarily coincide with this view. Mr Carl Weinberg, chief economist at High Frequency Economics in New York, argues that there is "official interest at the Bank of Japan and Ministry of Finance to cap the dollar below ¥104 from now through March. Higher levels prior to end-March will trigger accounting rules no one wants invoked."

After that, Mr Weinberg sees the BOJ engineering a move to ¥118 in April with money flowing out of Japan into offshore bonds, anticipating an earnings weakener through yen depreciation.

notes that since the dollar rallied off a low around DM1.55 in April, it reached a peak in September of DM1.4518, an advance of only 10.3 per cent off the low, compared to a normal 27 per cent rally.



strong rates perform such feats
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WORLD INTEREST RATES

Table of Money Rates showing interest rates for various countries (Belgium, France, Germany, etc.) across different terms (Over night, One month, Three months, Six months, One year).

EURO CURRENCY INTEREST RATES

Table of Euro Currency Interest Rates showing rates for various currencies (Belgian Franc, Dutch Guilder, French Franc, etc.) across different terms (Over night, One month, Three months, Six months, One year).

POUND SPOT FORWARD AGAINST THE POUND

Table of Pound Spot Forward Against the Pound showing rates for various currencies (Australia, Austria, Belgium, etc.) across different terms (One month, Three months, Six months, One year).

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Table of Dollar Spot Forward Against the Dollar showing rates for various currencies (Australia, Austria, Belgium, etc.) across different terms (One month, Three months, Six months, One year).

CROSS RATES AND DERIVATIVES

Table of Exchange Cross Rates showing rates for various currencies (Belgium, Denmark, France, Germany, etc.) across different terms (One month, Three months, Six months, One year).

YEN FUTURES (YMF) Yen 12.5 per Yen 100

Table of Yen Futures (YMF) showing rates for various terms (Open, Last, Change, High, Low, Est. vol, Open int).

BANK INTEREST RATES

Table of Bank Interest Rates showing London Money Rates and UK clearing bank base lending rates.

EMS EUROPEAN CURRENCY UNIT RATES

Table of EMS European Currency Unit Rates showing rates for various currencies (Belgium, France, Germany, etc.) across different terms (One month, Three months, Six months, One year).

BASE LENDING RATES

Table of Base Lending Rates showing rates for various banks (Admiral & Company, Bank of America, etc.) across different terms (One month, Three months, Six months, One year).

US TREASURY BILL FUTURES (TBM) \$1m per 100%

Table of US Treasury Bill Futures (TBM) showing rates for various terms (Open, Last, Change, High, Low, Est. vol, Open int).

EURODOLLAR FUTURES (EDF) \$1m points of 100%

Table of Eurodollar Futures (EDF) showing rates for various terms (Open, Last, Change, High, Low, Est. vol, Open int).

NOTICE TO THE HOLDERS OF U.S. \$500,000,000 UNLIMITED MEXICAN STATES LIBOR/CFDS NOTES DUE 11/27/96. Includes details about the notes and contact information for Citicorp.

FT RESEARCH. We will be conducting a series of reader research projects during 1995 and would appreciate your help. Includes contact information for FT Research.

CONTRACTS & TENDERS. COMPANIA PARANAENSE DE ENERGIA - COPEL. Includes details about a contract for a power station and contact information.

COMPANY NOTICES. THE SCOTTISH PROVIDENT INSTITUTION and its subsidiaries. SCOTTISH PROVIDENT ASSURANCE LIMITED. Includes details about insurance services.

Nafin Finance Trust II U.S. \$129,880,000 Floating Rate Notes due 1999. Includes details about the notes and contact information for Nafin Finance Trust II.

APPOINTMENTS ADVERTISING. Appears in the UK edition every Wednesday & Thursday and in the International edition every Friday. Includes contact information for Toby Finden-Crofton.

We cannot give you one reason why you should trade futures at Lind-Waldeck... But we have managed to narrow it down to 7. Includes details about trading services and contact information for Lind-Waldeck & Company.

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LONDON SHARE SERVICE

BANKS, MERCHANT

Table listing financial data for Banks and Merchants, including company names and various metrics.

BANKS, RETAIL

Table listing financial data for Retail Banks.

BREWERIES, PUBS & REST

Table listing financial data for Breweries, Pubs, and Restaurants.

BUILDING & CONSTRUCTION

Table listing financial data for Building and Construction.

BUILDING MATS. & MERCHANTS

Table listing financial data for Building Materials and Merchants.

CHEMICALS

Table listing financial data for Chemicals.

CHEMICALS - Cont.

Continuation of Chemicals table.

DISTRIBUTORS

Table listing financial data for Distributors.

DIVERSIFIED INDUSTRIALS

Table listing financial data for Diversified Industrials.

ELECTRICITY

Table listing financial data for Electricity.

ELECTRONIC & ELECTRICAL EQPT

Table listing financial data for Electronic and Electrical Equipment.

ENGINEERING, VEHICLES

Table listing financial data for Engineering and Vehicles.

ENGINEERING

Table listing financial data for Engineering.

EXTRACTIVE INDUSTRIES

Table listing financial data for Extractive Industries.

HOUSEHOLD GOODS

Table listing financial data for Household Goods.

INSURANCE

Table listing financial data for Insurance.

INVESTMENT TRUSTS

Table listing financial data for Investment Trusts.

INVESTMENT TRUSTS - Cont.

Continuation of Investment Trusts table.

INVESTMENT TRUSTS SPLIT CAPITAL

Table listing financial data for Investment Trusts Split Capital.

ELECTRONIC & ELECTRICAL EQPT - Cont.

Continuation of Electronic and Electrical Equipment table.

EXTRACTIVE INDUSTRIES - Cont.

Continuation of Extractive Industries table.

HOUSEHOLD GOODS - Cont.

Continuation of Household Goods table.

INSURANCE

Table listing financial data for Insurance.

INVESTMENT TRUSTS

Table listing financial data for Investment Trusts.

INVESTMENT TRUSTS - Cont.

Continuation of Investment Trusts table.

INVESTMENT TRUSTS SPLIT CAPITAL

Table listing financial data for Investment Trusts Split Capital.

INVESTMENT TRUSTS SPLIT CAPITAL - Cont.

Continuation of Investment Trusts Split Capital table.

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Continuation of Investment Trusts Split Capital table.

INVESTMENT TRUSTS SPLIT CAPITAL - Cont.

Continuation of Investment Trusts Split Capital table.

EXTRACTIVE INDUSTRIES - Cont.

Continuation of Extractive Industries table.

HOUSEHOLD GOODS - Cont.

Continuation of Household Goods table.

INSURANCE

Table listing financial data for Insurance.

INVESTMENT TRUSTS

Table listing financial data for Investment Trusts.

INVESTMENT TRUSTS - Cont.

Continuation of Investment Trusts table.

INVESTMENT TRUSTS SPLIT CAPITAL

Table listing financial data for Investment Trusts Split Capital.

INVESTMENT TRUSTS SPLIT CAPITAL - Cont.

Continuation of Investment Trusts Split Capital table.

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Continuation of Investment Trusts Split Capital table.

INVESTMENT TRUSTS SPLIT CAPITAL - Cont.

Continuation of Investment Trusts Split Capital table.

HOUSEHOLD GOODS - Cont.

Continuation of Household Goods table.

INSURANCE

Table listing financial data for Insurance.

INVESTMENT TRUSTS

Table listing financial data for Investment Trusts.

INVESTMENT TRUSTS - Cont.

Continuation of Investment Trusts table.

INVESTMENT TRUSTS SPLIT CAPITAL

Table listing financial data for Investment Trusts Split Capital.

INVESTMENT TRUSTS SPLIT CAPITAL - Cont.

Continuation of Investment Trusts Split Capital table.

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Continuation of Investment Trusts Split Capital table.

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Continuation of Investment Trusts Split Capital table.

INVESTMENT TRUSTS - Cont.

Continuation of Investment Trusts table.

INVESTMENT TRUSTS SPLIT CAPITAL

Table listing financial data for Investment Trusts Split Capital.

INVESTMENT TRUSTS SPLIT CAPITAL - Cont.

Continuation of Investment Trusts Split Capital table.

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Continuation of Investment Trusts Split Capital table.

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Continuation of Investment Trusts Split Capital table.

INVESTMENT TRUSTS SPLIT CAPITAL - Cont.

Continuation of Investment Trusts Split Capital table.

WESTERN... ASSURE & HOTEL

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

Table listing various investment trusts and their share prices, including columns for company names and prices.

OTHER INVESTMENT TRUSTS

Table listing other investment trusts and their share prices.

INVESTMENT COMPANIES

Table listing investment companies and their share prices.

LEISURE & HOTELS

Table listing leisure and hotel companies and their share prices.

LEISURE & HOTELS - Cont.

Table listing leisure and hotel companies and their share prices.

LIFE ASSURANCE

Table listing life assurance companies and their share prices.

MEDIA

Table listing media companies and their share prices.

OTHER FINANCIAL

Table listing other financial companies and their share prices.

OTHER FINANCIAL - Cont.

Table listing other financial companies and their share prices.

PAPER, PACKAGING & PRINTING

Table listing paper, packaging, and printing companies and their share prices.

PHARMACEUTICALS

Table listing pharmaceutical companies and their share prices.

PROPERTY

Table listing property companies and their share prices.

PROPERTY - Cont.

Table listing property companies and their share prices.

RETAILERS, FOOD

Table listing food retailers and their share prices.

RETAILERS, GENERAL

Table listing general retailers and their share prices.

ALCOHOLIC BEVERAGES

Table listing alcoholic beverage companies and their share prices.

SUPPORT SERVICES - Cont.

Table listing support service companies and their share prices.

TELECOMMUNICATIONS

Table listing telecommunications companies and their share prices.

TEXTILES & APPAREL

Table listing textiles and apparel companies and their share prices.

WATER

Table listing water companies and their share prices.

AIM - Cont.

Table listing AIM companies and their share prices.

AMERICANS

Table listing American companies and their share prices.

CANADIANS

Table listing Canadian companies and their share prices.

SOUTH AFRICANS

Table listing South African companies and their share prices.

Advertisement for MAPPIN & WEBB featuring a Rolex watch and the text: 'Can you honestly say you haven't earned one?'.

TOBACCO

Table listing tobacco companies and their share prices.

TRANSPORT

Table listing transport companies and their share prices.

GUIDE TO LONDON SHARE SERVICE

Guide to London Share Service containing information about the service, including contact details and terms of use.

FT Free Annual Reports Service

Information about the FT Free Annual Reports Service, including details on how to obtain reports and contact information.

Handwritten text at the bottom of the page: 'سكرا من الاصل'.

FT MANAGED FUNDS SERVICE

FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Table listing Bermuda (SIB Recognised) funds with columns for Fund Name, Unit Price, and % Change.

BERMUDA (REGULATED)**

Table listing Bermuda (Regulated) funds with columns for Fund Name, Unit Price, and % Change.

GUERNSEY (SIB RECOGNISED)

Table listing Guernsey (SIB Recognised) funds with columns for Fund Name, Unit Price, and % Change.

IRELAND (SIB RECOGNISED)

Table listing Ireland (SIB Recognised) funds with columns for Fund Name, Unit Price, and % Change.

ROYAL BANK OF CANADA (SIB RECOGNISED)

Table listing Royal Bank of Canada (SIB Recognised) funds with columns for Fund Name, Unit Price, and % Change.

GUERNSEY (REGULATED)**

Table listing Guernsey (Regulated) funds with columns for Fund Name, Unit Price, and % Change.

IRELAND (REGULATED)**

Table listing Ireland (Regulated) funds with columns for Fund Name, Unit Price, and % Change.

THE FIDUCIARY TRUST GLOBAL FUND

Table listing The Fiduciary Trust Global Fund with columns for Fund Name, Unit Price, and % Change.

ISLE OF MAN (SIB RECOGNISED)

Table listing Isle of Man (SIB Recognised) funds with columns for Fund Name, Unit Price, and % Change.

ISLE OF MAN (REGULATED)**

Table listing Isle of Man (Regulated) funds with columns for Fund Name, Unit Price, and % Change.

JERSEY (SIB RECOGNISED)

Table listing Jersey (SIB Recognised) funds with columns for Fund Name, Unit Price, and % Change.

JERSEY (REGULATED)**

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مركز من الاصل

FT MANAGED FUNDS SERVICE

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Main table containing fund names, descriptions, and prices. Includes sections for 'OTHER OFFSHORE FUNDS' and 'OFFSHORE INSURANCES'.

MANAGED FUNDS NOTES: This section provides detailed information regarding the funds, including their objectives, risks, and performance metrics.

Handwritten Arabic text: 'صندوق الاستثمار'

LONDON STOCK EXCHANGE

MARKET REPORT

Wall Street rescues Footsie from political woes

By Philip Coogan, Markets Editor

Political worries were not according to the consensus, supposed to hit the UK stock market until the second half of the year. But they made an early appearance yesterday, sending the FT-SE 100 index lower in the first trading session of 1996.

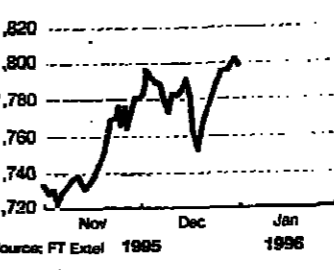
racing to a new intra-day all-time high of 3,696.5, up 7.2, in the first minute of trading. But initial enthusiasm quickly evaporated, as gilts were hit by political concerns. The weekend defection to the Liberal Democrats of Conservative MP Miss Emma Nicholson prompted renewed doubts about the stability of the Conservative government, especially as it was followed by press speculation about further potential defections.

The benchmark 10 year gilt fell by around a quarter of a point and short sterling futures, the market's vehicle for speculating on interest rate changes, became markedly less optimistic about the prospect for rates in the later part of the year. At its worst, Footsie was 22.4 points lower, at 3,666.9. The market had already erased some of its losses by the time Wall Street opened, however, and for the rest of the afternoon it was a race to see if the leading index could finish in positive territory.

Volume remained sluggish throughout the day, with only 450.9m shares traded by the 6pm count. The value of customer business last Friday, half-day session, was a healthy £1.5bn. As the new trading year begins, analysts are fairly cautious about the UK stock market's prospects. The team at SGST, which was among the most bullish in 1995, is similarly upbeat about 1996, forecasting that the FT-SE 100 index will end the year within a 4,000-4,250 range.

Mr Mark Tinker of James Capel has the same target. But many other analysts are much less sanguine. Mr Tim Brown of UBS Pitzhanger & Partners expects just 3 per cent from the end-1995 level. Mr George Hodgson of S.G. Warburg Securities is expecting 3,750, with the market being battered by earnings downgrades during the spring reporting season. Mr Steve Wright of Barclays de Zoete Wedd is also looking for 3,750 with the possibility that the second-liners in the Mid-350 index might outperform the blue chips. NatWest Securities is forecasting 3,700, leaving Footsie virtually unchanged on the year.

FT-SE-A All-Share index



Equity shares traded

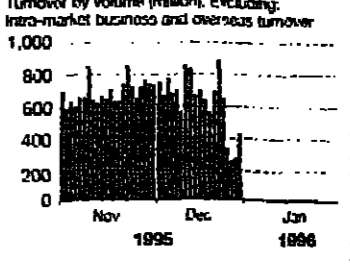


Table with columns for Index and ratios, and Best/worst performing sectors. Includes FT-SE 100, FT-SE Mid 250, FT-SE-A 350, FT-SE-A All-Share, FT Ordinary index, FT-SE-A Non Fin p/e, FT-SE 100 Fut. Mar, 10 yr gilt yield, Long gilt/eqy yld ratio, Life Assurance, Paper, Pck & Print, Leisure & Hotels, Food Producers, Gas Distribution, Electronic & Elec, Water, Telecommunications, Pharmaceuticals, Tobacco.

Telecoms stocks tremble

Mobile telephone groups yesterday discovered the truth of the adage - Christmas is not Christmas without presents. An orgy of giving last year was followed by a round of bad publicity as people realised that a portable phone was not just for Christmas but for a binding contract of around 15 months.

BT and 40 per cent by Securicor, warned that its December figure would be "several tens of thousands" short of last year's figure of 325,000. And One-2-One, the service offered by Cable and Wireless's 30 per cent owned Mercury arm, is also expected to have suffered.

The only group seen to have made headway over the year is Orange, the group in which British Aerospace has a 30 per cent stake. However, Orange's sales started from a lower base and the feeling of caution throughout the sector ensured that all the companies and stakeholders were weak. Vodafone fell 4 1/2 to 295p with 3.5m shares traded, BT was down 2 to 352p and BAE was off 1/2 at 793p. C&W and Securicor were flat at 480p and 885p respectively.

The final defence document from Forte, besieged by the Granada Group, drew applause from the market, where Forte shares put on an impressive display to close up 12 1/2 to 343p, almost 4 per cent higher. Turnover in Forte was a heavy 6.3m shares.

merger and were ripe for profit-taking. Lloyds TSB ended the session 1 1/2 off at 519p, having touched 519p at one point. Barclays, on the other hand, raced up 1 1/2 to 765p, with turnover reaching a highly respectable 5.8m shares.

FUTURES AND OPTIONS

Table showing FT-SE 100 INDEX FUTURES (LIFFE) and FT-SE MID 250 INDEX FUTURES (LIFFE) with columns for Open, Settle, Change, High, Low, etc.

MARKET REPORTERS:

Table listing market reporters: Mark John, Steve Thompson, and other market data.

FINANCIAL TIMES EQUITY INDICES

Table showing Ordinary Share, Div. div yield, P/E ratio net, P/E ratio inc, Shares traded (m), etc.

LONDON RECENT ISSUES: EQUITIES

Table listing recent equity issues with columns for Issue, Price, etc.

FT GOLD MINES INDEX

Table showing Gold Mines Index (34) with columns for Index, Change, etc.

TRADING VOLUME

Table showing Major Stocks Yesterday with columns for Stock, Volume, etc.

FT-SE Actuaries Share Indices

Table showing FT-SE 100, FT-SE Mid 250, FT-SE-A 350, FT-SE-A All-Share, etc.

Hourly movements

Table showing hourly movements for FT-SE 100, FT-SE Mid 250, FT-SE-A 350.

FT-SE Actuaries 350 Industry baskets

Table showing industry baskets for Sldy & Crstn, Pharmaceuticals, etc.

Large advertisement for 'The Financial Times plans to publish a Survey on North American Business Locations on DTBA Jan '96.' Includes text about the survey and a list of companies.

Advertisement for 'The Financial Times plans to publish a Survey on Turkey - EU Customs Union on Tuesday, January 16.' Includes text about the survey and contact information for Michael Geach.

Advertisement for 'The Financial Times plans to publish a Survey on Turkey - EU Customs Union on Tuesday, January 16.' Includes text about the survey and contact information for Kirsty Saunders and Mr. Cirio Costante.

WORLD STOCK MARKETS

EUROPE

Table of European stock market data including indices like EURO STOXX 50 and individual stock prices for various European countries.

ASIA

Table of Asian stock market data including indices like Nikkei 225 and individual stock prices for various Asian countries.

AMERICA

Table of American stock market data including indices like S&P 500 and individual stock prices for various American companies.

AFRICA

Table of African stock market data including indices and individual stock prices for various African countries.

ISLANDS

Table of island stock market data including indices and individual stock prices for various island territories.

EUROPE (continued)

Continuation of European stock market data.

ASIA (continued)

Continuation of Asian stock market data.

AMERICA (continued)

Continuation of American stock market data.

AFRICA (continued)

Continuation of African stock market data.

ISLANDS (continued)

Continuation of island stock market data.

Advertisement for Rockwell Avionics, featuring the text 'In Europe's crowded skies, Rockwell Avionics plays a key role in promoting safety and efficiency' and the Rockwell logo.

EUROPE (continued)

Continuation of European stock market data.

ASIA (continued)

Continuation of Asian stock market data.

AMERICA (continued)

Continuation of American stock market data.

AFRICA (continued)

Continuation of African stock market data.

ISLANDS (continued)

Continuation of island stock market data.

EUROPE (continued)

Continuation of European stock market data.

ASIA (continued)

Continuation of Asian stock market data.

AMERICA (continued)

Continuation of American stock market data.

AFRICA (continued)

Continuation of African stock market data.

ISLANDS (continued)

Continuation of island stock market data.

EUROPE (continued)

Continuation of European stock market data.

ASIA (continued)

Continuation of Asian stock market data.

AMERICA (continued)

Continuation of American stock market data.

AFRICA (continued)

Continuation of African stock market data.

ISLANDS (continued)

Continuation of island stock market data.

INDICES

Table of various stock indices including EURO STOXX 50, Nikkei 225, S&P 500, and others.

US INDICES

Table of US stock indices including Dow Jones, S&P 500, and others.

ASIA

Table of Asian stock indices and market data.

AFRICA

Table of African stock indices and market data.

ISLANDS

Table of island stock indices and market data.

INDEX FUTURES

Table of stock index futures data.

US INDICES (continued)

Continuation of US stock indices.

ASIA (continued)

Continuation of Asian stock data.

AFRICA (continued)

Continuation of African stock data.

ISLANDS (continued)

Continuation of island stock data.

Footnote and disclaimer text at the bottom of the page.

4 pm close January 2

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Main table containing stock prices for various companies, organized into columns with headers like 'High', 'Low', 'Open', 'Close', 'Change', and 'Volume'. Includes sub-sections for 'D', 'E', 'F', 'G', 'H', 'I', 'J', 'K', 'L', 'M', 'N', 'O', 'P', 'Q', 'R', 'S', 'T', 'U', 'V', 'W', 'X', 'Y', 'Z'.

BE OUR GUEST. CONRAD. When you stay with us in BRUSSELS stay in touch with complimentary cups of the... FINANCIAL TIMES

Continued on next page

NYSE COMPOSITE PRICES

Table of NYSE Composite Prices listing various stocks with columns for stock name, price, and change.

NASDAQ NATIONAL MARKET

Table of NASDAQ National Market listing various stocks with columns for stock name, price, and change.

AMEX COMPOSITE PRICES

Table of AMEX Composite Prices listing various stocks with columns for stock name, price, and change.

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Financial Times. World Business Newspaper.

AMERICA

AT & T ahead on restructuring news

Wall Street

US shares began the year on an uneven note as blue chip stocks rallied, while the Nasdaq market slipped, writes Lisa Bransten in New York.

Positive reaction to an announcement of cost-cutting measures by AT & T, the telecommunications giant, helped the Dow Jones Industrial Average to a 41.55 point gain to 5,158.87 by 1 pm.

The Standard & Poor's 500 added 1.90 at 617.83, while the American Stock Exchange composite fell 0.86 at 547.57. Volume on the NYSE was 202m shares.

Analysts at Birinyi Associates said AT & T's \$3 increase to \$67, accounted for about 21 per cent of the Dow's rise. AT & T said it would take a \$4bn charge in the fourth quarter to pay for restructuring

moves, including laying off 40,000 workers over the next three years.

The Dow also benefited from its concentration of cyclical shares, which were generally stronger.

Rising cyclical issues in the Dow included Allied Signal, up 1 1/2% at \$48, Boeing, 1 1/2% stronger at \$79, Du Pont, which added 1 1/2% at \$71, and Minnesota Mining & Manufacturing, up 1 1/2% at \$67.

The Nasdaq composite, which is weighted toward technology shares lost 2.14 at 1,049.99 amid profit-taking in the biotechnology sector. Amgen, which had added more than \$9 in the final two weeks of last year, shed 1 1/2% at \$57, and Chiron, more than \$13 stronger since December 18, slipped \$3 to \$107.

Computer-related technology companies were generally stronger with Microsoft adding

3% at \$88, but Silicon Graphics, a NYSE-traded software company, sank \$5 or 18 per cent to \$22, after warning that slower-than-expected growth would cause second quarter earnings to be about 4 cents a share below the 34 cents per share earned in the second quarter of last year.

Toys 'R' Us added 1 1/2% at \$23, after reporting that sales were up 7 per cent for the eight weeks ended December 24. US same-store sales for the same period, however, were up less than 1 per cent.

Canada

Toronto overcame early weakness in midday trade and the TSE-300 Composite index was 12.37 higher by noon at 4,735.91 in volume of just 20.4m shares.

Northern Telecom climbed 0.51% to \$59, on expectations that had news from AT & T might focus attention on Canada's largest telecommunications supplier.

EUROPE

Continent greets new year with rally

There was a strong start to the year throughout the continent, but turnover was thin.

FRANKFURT made strong headway and after the DAX index made 30.98 to 2,284.86, the Ibis motored to 2,307.70. Brokers said turnover at DM4.7bn was low and were uncertain as to whether there was enough momentum to push the index above its all time high of 2,320.58 set last September. Dealers said the day's gain could largely be attributed to a surge in bond futures which took the March contract to a new high.

Chemicals and financials were in demand. Bayer gained DM7.20 to DM385.70, BASF DM8.50 to DM326 and Hoechst DM6 to DM395.

Escom, the computer group, dropped DM5.30 to DM18.20, off a low of DM17.80, after announcing at the end of last week that it expected to report a loss of around DM45m during 1995 owing to poor sales and high start-up costs in the UK.

FTSE Actuarial Share Indices

Index	Jan 2					THE EUROPEAN SERIES				
	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close	Change	%
FT-SE Actuaries 100	1500.67	1502.21	1502.09	1503.82	1505.05	1505.38	1505.66	1506.00	5.33	0.35
FT-SE Actuaries 200	1802.14	1802.77	1803.14	1804.05	1805.22	1805.80	1806.76	1810.53	8.39	0.46

PARIS began the new year on a high note as the CAC-40 index rallied 36.41 or 1.9 per cent to 1,908.38. However, turnover was just FF2.8bn. Brokers said the day's gain had been exaggerated, and many investors were still banking on a further cut in interest rates in the first quarter.

Renault went in the direction of the market, making FF6.10 to FF147.10, as investors ignored news that the chairman had been placed under judicial investigation.

AMSTERDAM, closed last Friday, made up for lost time to forge ahead to yet another record high. Brokers noted that investors were particularly keen buyers of financials and defensive stocks.

The AEX index rose 9.89 or 2 per cent to 495.24.

MILAN was unfazed by political diversions with shares instead taking their lead from the strong performance of bond futures and the Comit index which picked up 5.33 to 594.93 in relatively subdued and low volume trading. Ferruzzi picked up L21 to L1,044, and the rights by 1.7 per cent as the market awaited details of Mediobanca's public buy offer.

STOCKHOLM jumped 1.4 per

cent in optimistic trade underscored by continued strength on the money market and news of the bid for Gambro, the medical technology group. The ATRAX index rose 23.5 to 1,759.2.

Incentive fell SKR17 to SKR273 as the industrial group said it was making a bid worth SKR155 a share, or a total of SKR10.8bn, for the shares in Gambro that it did not already own. Gambro jumped SKR28 to SKR182 and Astra rose SKR6 to a closing high of SKR271, after touching a new intraday high of SKR271.50.

The upbeat mood spilled over to HELSINKI where Orion B shares hit a 19 month high, up FM6 to FM128 as interest in the pharmaceutical sector was spurred by the bid for Gambro. The Hex index rose 47.98 or 2.8 per cent to 1,752.18.

OSLO was higher, with the industrial and shipping sub-indices showing the strongest performances. The all share index was up 10.27 at 745.23

turnover of NKr544m.

VIENNA talked about the sudden resignation of the finance minister, but the overall market was boosted by the positive tone throughout the continent. Mr Andreas Starbacher stepped down after nine months in office, citing disillusionment with domestic politics. The ATX index climbed 1.6 per cent to 975.27, its highest close since October.

ISTANBUL retreated sharply in quiet trade as volume shrank amid continuing political uncertainty.

The composite index shed 1,345.19 or 3.1 per cent to 38,779.35. Turnover decreased to TL4,500bn.

Parliament is expected to convene next week after which President Suleyman Demirel is likely to appoint a prime minister.

Zurich was closed for a public holiday.

Written and edited by Michael Morgan and John Pitt

MARKETS IN PERSPECTIVE

	% change in local currency				% change in US \$
	1 Week	4 Weeks	1 Year	Start of 1995	
Austria	+0.59	+0.11	-11.82	-3.76	-4.49
Belgium	+0.86	+3.56	+14.81	+25.12	+24.17
Denmark	+1.35	+0.79	+3.87	+4.43	+15.68
Finland	-0.37	-14.49	-7.83	-7.83	-9.60
France	+0.17	+2.03	+0.10	+0.53	+9.70
Germany	+0.83	+0.69	+8.89	+5.48	+14.22
Ireland	+1.14	-0.01	+19.65	+19.59	+25.90
Italy	+1.94	+7.11	-2.30	-2.26	-2.11
Netherlands	+0.76	+2.53	+16.17	+16.17	+25.75
Norway	+1.91	+1.41	+2.24	+1.34	+8.50
Spain	-0.11	+2.42	+17.27	+15.38	+25.18
Sweden	+1.27	-1.18	+21.21	+20.39	+35.04
Switzerland	+0.81	+1.76	+25.82	+25.82	+43.99
UK	+0.86	+0.39	+19.23	+19.24	+18.33
EUROPE	+0.57	+1.15	+14.15	+12.80	+18.89
Australia	-0.35	+2.08	+13.93	+15.45	+10.71
Hong Kong	+1.58	+2.54	+3.81	+18.80	+19.79
Japan	+0.33	+5.42	+2.31	+2.05	-0.52
Malaysia	+0.15	+2.34	+0.71	+0.63	+1.20
New Zealand	+1.00	+0.53	+10.60	+10.69	+13.07
Singapore	-0.78	+7.19	-5.17	+5.80	+10.00
Canada	-0.11	+1.11	+11.61	+11.54	+14.72
USA	+0.73	+1.20	+33.25	+33.81	+34.85
Mexico	-0.17	+3.04	+12.91	+14.43	-26.86
South Africa	-1.15	+3.98	+17.91	+2.38	+14.44
WORLD INDEX	+0.53	+2.30	+15.91	+15.94	+17.78

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ASIA PACIFIC

Hong Kong advances 1.3% in mixed region

Regional markets had a day of contrasting fortunes, although activity was muted in the absence of a lead from Tokyo.

HONG KONG was 1.3 per cent higher in moderate trading, boosted by a sharp premium in index futures, heavily bought by foreign investors, and the Hang Seng index jumped 131.48 to 10,204.87 in turnover that improved to HK\$3.5bn.

Brokers said that there was talk of a covered warrant issue on Hopewell, which was the most active stock for most of the day. The shares gained 7.5 cents to HK\$1.625, after touching a day's high of HK\$1.60, in heavy turnover of HK\$277m.

The government's relaxation of restrictions on the sale of unfinished flats benefited major property developers. Cheung Kong surged HK\$1.10 to HK\$48.30. Sun Hung Kai Properties jumped HK\$1.25 to

HK\$64.50 and Henderson Land climbed HK\$1.20 to HK\$47.80.

SINGAPORE was weak as speculative shares were hit by the stock exchange's censure last week of another prominent Indonesian businessman, Johannes Kotjo. He was reprimanded over what the exchange said were misleading statements about United Pulp & Paper after he launched a potential takeover bid for the company on November 9.

At the close, the 30-share Straits Times Industrials Index was down 8.47 points to 2,358.07.

Speculators that plunged included United Pulp & Paper, down 82 cents to S\$2.05 and L&M Group Investment, 50 cents weaker at S\$3.32. SPP, in which another Indonesian businessman, Henry Paribadi, has a stake, gave up 27 cents to 96 cents.

although turnover was low. The All Ordinaries index added 23.4 to 2,228.4.

Brokers said expectations for stronger global economic growth in 1996 should lift Markets in Tokyo, Wellington, Seoul and Taipei were closed for public holidays.

resources stocks, particularly those with exposure to base metal miners like CRA, Broken Hill, WMC and nickel producer QNL.

Ten brokers surveyed by Reuters said that they thought the All Resources sub-index would rise 11.1 per cent over 1996 and the All Industrials 9.6 per cent.

KUALA LUMPUR saw heavy speculative buying of smaller capitalisation issues, while blue chips finished weaker in thin trading as fund managers extended their holidays.

The composite index gave up 1.99 to 993.18, while in contrast, the KLSB Second Board index jumped 12.14 or 4.1 per cent to 310.80. The top six most actively traded issues were second board companies, led by a M\$2.30 jump to M\$13.10 in KP Seribu Daya.

BOMBAY was weak, in response to tight money conditions and a weak rupee and the BSE-30 index gave up 15.98 points to 3,119.6. Brokers said that sentiment was also hurt by news that the government has ordered the tobacco and hotels group ITC to pay Rs8bn in overdue excise duties, and had been fined Rs650-Rs700m for having failed to pay the duties on time. The ITC share dropped Rs9 to Rs241.

MANILA began the year slowly, ending lower in thin trade with most investors still absent. The composite index shed 15.21 to 2,578.97.

COLOMBO was slightly down with turnover at its lowest in three years.

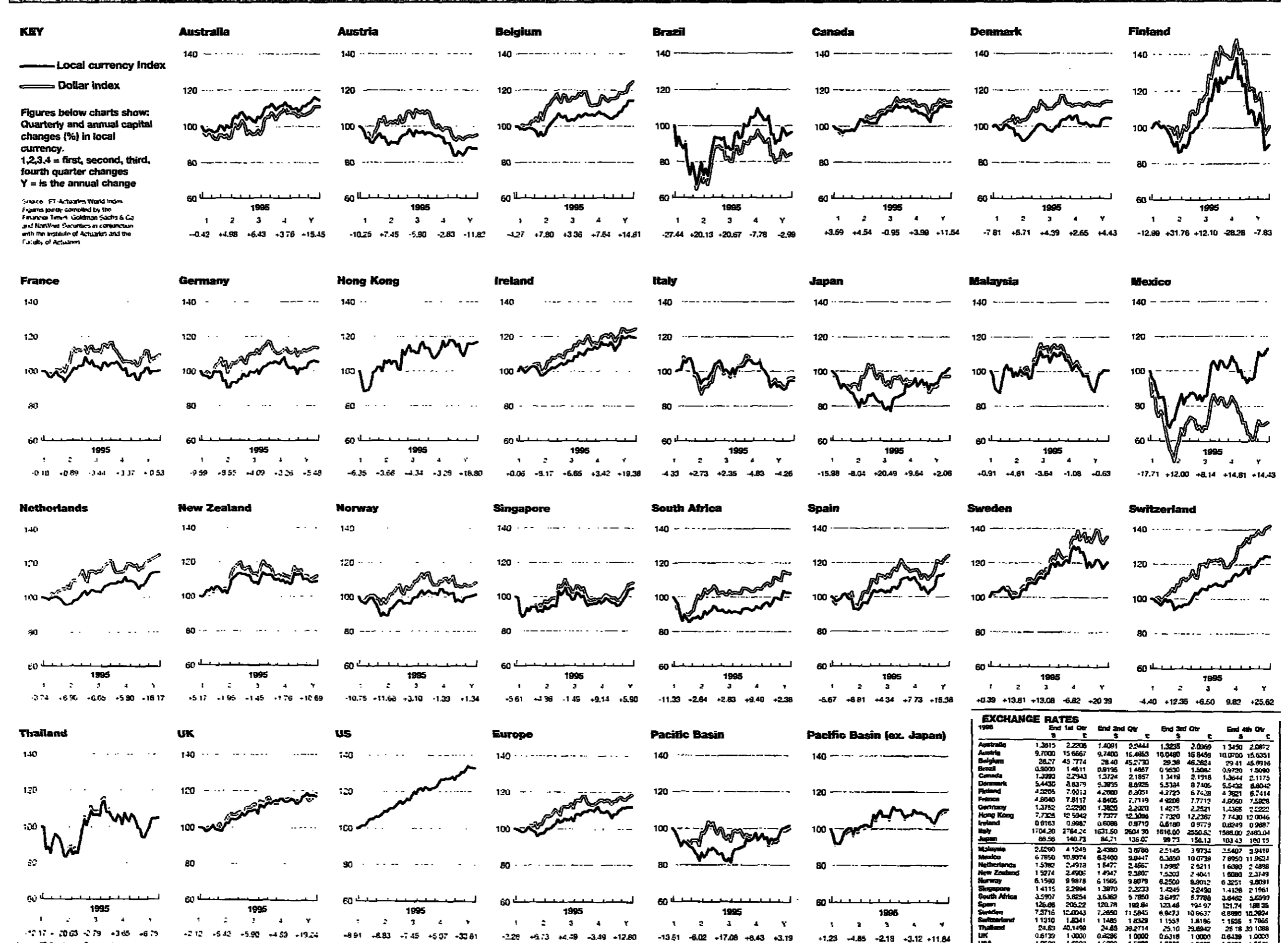
The all share index closed fell 1.0 to 662.7. Turnover dropped to SLRs5.6m rupees from SLRs24.7m on December 29, the previous trading day.

SHANGHAI's hard currency B shares were 2.1 per cent higher on institutional buying in selected stocks and the index rose 0.967 to 48.672. But the A index dropped 19.234 or 3.3 per cent to 555.955 on news that Ningbo Shun-shan would issue 13m shares on the market on January 8.

SHENZHEN's A index fell 3.38 or 2.9 per cent to 113.64 as buying support evaporated. The B slipped 0.51 to 85.87.

The FTSE & P Actuarial World Indices today appear on Page 15

HOW THE WORLD MARKETS PERFORMED IN 1995



EXCHANGE RATES

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
Australia	1.3015	2.2208	1.4091	2.2441
Canada	9.7000	15.6561	6.7403	15.4883
Denmark	28.27	45.7774	28.40	45.7730
France	0.8000	1.4611	0.9195	1.4687
Germany	1.3952	2.2943	1.3724	2.1857
Hong Kong	5.4430	8.0312	5.3975	8.0228
Italy	4.2006	7.0012	4.2080	6.9951
Japan	4.8044	7.8117	4.8452	7.7119
Malaysia	1.3752	2.2290	1.3820	2.2320
Netherlands	7.7225	10.5842	7.7277	10.5288
New Zealand	0.0163	0.0267	0.0168	0.0279
Norway	17.0420	27.9424	16.5150	26.0430
South Africa	69.258	140.73	68.21	136.07
Spain	2.2290	4.1243	2.2380	4.1228
Sweden	6.7950	10.9974	6.8400	10.9739
Switzerland	1.5380	2.4913	1.5477	2.4667
Thailand	1.9274	2.4926	1.9417	2.4897
UK	6.1500	9.9818	6.1595	9.9779
USA	1.4115	2.2984	1.3970	2.2323
South Africa	3.2991	5.2524	3.3362	5.1953
South Africa	126.08	203.22	120.78	193.84
South Africa	7.2716	12.0043	7.2800	11.9843
South Africa	1.1210	1.8241	1.1485	1.8529
South Africa	24.83	40.1490	24.85	39.2714
UK	0.8129	1.0020	0.8096	1.0000
USA	1.9703	1.6298	1.9959	1.9920